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MANAGING FINNISH-RUSSIAN JOINT VENTURES

Best practices for a culturally considerate parent

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MANAGING FINNISH-RUSSIAN JOINT VENTURES

– Best practices for a culturally considerate parent

Purpose

The study aimed to identify best practices on how a Finnish parent should manage joint ventures that operate in Russia and are established with Russian partners firstly by seeing what kind of managerial practices should be used and secondly through understanding how cultural aspects should be considered in management. The fundamental aim was to enhance interaction between the parent and the joint venture.

Research data and methods

The research data was gathered within four joint ventures that are partly owned by YIT Corporation – a Finland-based group that has widened its presence in Russian construction market through joint ventures. Methods used in data collection were questionnaire, interviews and observation of seminar discussions. Questionnaire was sent to 20 Finnish and Russian persons that operate within the joint ventures and are in close contact with the parent company. Interviews were carried out with four of the Russian general directors of the joint ventures who also are co-owners.

Data was analyzed using content analysis. To describe the general situation the targets set for parent's involvement and the role of the joint venture managers were analyzed. Managerial means were viewed from the viewpoint of extent, focus and mechanisms. These three dimensions of parent control are much used in joint venture research and they cover the aspects of how much, in what issues and in what ways the parent should control or interact with the joint venture. Cultural differences were viewed using the theory of Geert Hofstede concentrating on the three dimensions of national culture along which the Finns and Russians differ the most; namely, power distance, uncertainty avoidance and individualism. This made it possible to understand the practical differences more in-depth.

Conclusions

Based on the data it was concluded that, in general, the Finnish parent should manage the joint ventures so that it provides support to their business and acts like a genuine companion toward the other partner. Regarding the managerial practices it was identified that the parent should keep the extent of its involvement within the limits that have been agreed upon, the focus should be directed to core operations and the mechanisms that are employed should be such that involve personal contact.

To be culturally considerate the parent should notice that between Finland and Russia there are differences related to organization of work, decision-making style, how promises are understood and how personal characteristics are valued in business environment. The Finnish parent should pay attention to four main issues: operating through the ones that are responsible and informed in Russian organization, balance the decision-making style between Finnish-style deep analysis and Russian style decision-making that relies more on the experience of the top executives, establishing common understanding on promises in a situation where the Finns prefer written documents and Russians the personal-level oral agreements and showing their emotions and personality also in work setting.

To answer the main research question of how a Finnish parent should manage joint ventures in Russia the above information on recommended managerial practices and cultural considerations must be combined.

Key words: joint ventures, corporate venturing, management and culture

SUOMALAIS-VENÄLÄISTEN YHTEISYRITYSTEN JOHTAMINEN

– Parhaita käytäntöjä kulttuurisesti hienovaraiselle emoyhtiölle

Tavoite

Tutkielman tavoitteena oli tunnistaa parhaita käytäntöjä, kuinka suomalaisen emoyhtiön tulisi johtaa yhteisyrityksiä, jotka toimivat Venäjällä ja jotka on perustettu venäläisten kumppaneiden kanssa tarkastelemalla ensinnä millaisia johtamistapoja tulisi käyttää ja toiseksi kuinka kulttuuri tulisi ottaa huomioon johtamisessa. Perimmäisenä tavoitteena oli parantaa emoyhtiön ja yhteisyrityksen välistä kanssakäymistä.

Tutkimusaineisto ja metodologia

Tutkimusaineisto kerättiin neljässä yhteisyrityksessä, jotka ovat osittain YIT Oyj:n omistamia. Suomalaiset juuret omaava yhtiö on laajentanut toimintaansa Venäjän rakennusmarkkinoilla yhteisyrityksiä perustamalla. Tiedonkeruumenetelmiin kuuluivat kysely, haastatteluja ja seminaarikeskustelujen seuraaminen. Kysely lähetettiin 20 suomalaiselle ja venäläiselle henkilölle, jotka toimivat yhteisyrityksissä ja ovat läheisessä kontaktissa emoyhtiön. Haastateltavina olivat neljä venäläistä pääjohtajaa, jotka ovat myös yhtiöiden omistajia.

Aineiston analysoinnissa käytettiin sisällönerittelyä. Yleisen tilanteen kuvaamiseksi analysoitiin emoyhtiön osallistumiselle asetettuja tavoitteita ja yhteisyrityksen johtajien roolia. Johtamistapoja tarkasteltiin laajuuden, fokuksen ja mekanismien näkökulmasta. Nämä kolme emoyhtiön kontrollin dimensiota ovat yleisesti käytössä yhteisyrityksiä koskevassa tutkimuksessa ja ne kattavat kuinka paljon, mihin asioihin ja millä tavoin emoyhtiön kontrolloi tai on vuorovaikutuksessa yhteisyrityksen kanssa. Kulttuurieroja arvioitiin hyödyntäen Geert Hofsteden teoriaa keskittyen kolmeen kansallisen kulttuurin aspektiin, jotka eniten erottavat suomalaisia ja venäläisiä; valtaetäisyyteen, epävarmuuden välttämiseen sekä individualismiin. Teorian avulla käytännöllisiä eroja voitiin ymmärtää syvemmin.

Johtopäätökset

Aineiston perusteella todettiin, että yleisesti ottaen suomalaisen emoyhtiön tulisi johtaa yhteisyritystä siten, että se tarjoaa tukea yhtiön liiketoiminnalle ja toimii aidossa kumppanuudessa toista omistajatahoa kohtaan. Johtamistapojen osalta tunnistettiin, että emoyhtiön tulisi pitää osallistumisensa laajuus sovituisissa mitoissa, osallistumisen tulisi kohdistua ydintoimintoihin ja keinojen tulisi olla sellaisia, joissa osapuolet ovat henkilökohtaisesti vuorovaikutuksessa.

Ollakseen kulttuurisesti hienovarainen emoyhtiön tulisi huomata, että Suomen ja Venäjän välillä on eroja työtehtävien organisoinnissa, päätöksentekotyyliä, lupauksen ymmärtämisessä sekä kuinka ihmisen persoonallisuuden näyttämistä arvostetaan työelämässä. Suomalaisen emoyhtiön tulisi kiinnittää huomiota neljään asiaan: sen tulisi toimia niiden henkilöiden kautta, joilla venäläisessä organisaatiossa on vastuu ja tieto, tasapainottaa päätöksentekoa suomalaisille tyypillisen perusteellisen analysoinnin ja venäläisten suosiman johtajien kokemukseen perustuvan päätöksenteon välillä, luoda yhteinen ymmärrys sovituisista asioista huomioiden, että suomalaiset suosivat kirjallisia dokumentteja ja venäläiset henkilökohtaisia suullisia sopimuksia sekä tuoda tunteitaan ja persoonaansa esiin myös työtilanteissa.

Vastatakseen tutkimuksen pääkysymykseen siitä kuinka suomalaisen emoyhtiön tulisi johtaa yhteisyrityksiä Venäjällä yllä olevat johtopäätökset koskien suositeltuja johtamistapoja ja kulttuurisia huomioita tulee yhdistää.

Avainsanat: yhteisyritys, uuden liiketoiminnan kehittäminen (corporate venturing), johtaminen ja kulttuuri

Contents

LIST OF FIGURES.....	iii
LIST OF TABLES.....	iii
INTRODUCTION	1
1 FIELD OF INTEREST	1
1.1 Joint ventures, management and culture	1
1.2 Finnish-Russian cooperation	2
2 OUTLINE OF THE STUDY	4
2.1 Research questions and aims	4
2.2 Structure of the study.....	6
PART I – THEORETICAL FRAMEWORK	8
3 JOINT VENTURE.....	8
3.1 Definition	8
3.2 Stages of development	12
4 MANAGING A JOINT VENTURE	15
4.1 Relationship between parent and joint venture	15
4.1.1 Venture manager's perspective.....	17
4.1.2 Parent's perspective	17
4.2 Dimensions of parent control	19
4.2.1 Extent of control.....	19
4.2.2 Focus of control	20
4.2.3 Mechanisms of control	22
4.3 Discussion: How to apply the dimensions of parent control	24
5 CULTURAL DIFFERENCES.....	25
5.1 Culture by Geert Hofstede	26
5.2 Dimensions of national culture.....	29
5.2.1 Power distance	29
5.2.2 Uncertainty avoidance	29
5.2.3 Individualism.....	30
5.2.4 Masculinity.....	30
5.2.5 Long-term orientation	30
5.3 Discussion: How to apply the dimensions of national culture.....	33
6 RUSSIAN JOINT VENTURES	34
6.1 Russian culture	34
6.2 Experienced problems	38
6.3 Suggestions for best practices.....	40
6.4 Discussion: What to expect?	43
7 SUMMARY	45

PART II – EMPIRICAL RESEARCH	47
8 SCOPE OF EMPIRIA	47
8.1 Research strategy	47
8.2 Case company	50
9 METHODOLOGY	52
9.1 Methods of data collection	52
9.1.1 Questionnaire	52
9.1.2 Interviews	55
9.1.3 Seminar discussions	55
9.2 Method of analysis	56
9.3 Evaluation of the methodology	58
10 RESULTS	62
10.1 General situation	62
10.1.1 Targets	63
10.1.2 Role of the joint venture manager	65
10.2 Managerial means	66
10.2.1 Extent of control	66
10.2.2 Focus of control	67
10.2.3 Mechanisms of control	70
10.3 Cultural issues	72
10.3.1 Differences	72
10.3.2 Similarities	75
PART III – SUMMING UP	76
11 CONCLUSIONS	76
11.1 What kind of managerial means should be used?	76
11.2 How should cultural aspects be considered in management?	78
11.3 How should a Finnish parent manage joint ventures in Russia?	80
12 CONTRIBUTION	84
REFERENCES	87
APPENDICES	92
Appendix 1 YIT Corporation's organization	92
Appendix 2 Questionnaire	93
Appendix 3 Interview outline	96
Appendix 4 Details of the questionnaire respondents	97

LIST OF FIGURES

Figure 1	Research process and content of the study	7
Figure 2	Managerial relationships in joint ventures	9
Figure 3	Stages of joint venture development	12
Figure 4	Alternative views on management of international joint ventures	15
Figure 5	Levels of uniqueness in mental programming	26
Figure 6	Finland and Russia on Hofstede's dimensions of national culture	35
Figure 7	Summary of the elements of the theoretical framework	46
Figure 8	Process of empirical research	49
Figure 9	Presentation of results and analysis	58

LIST OF TABLES

Table 1–2	Key differences in work environment along dimensions of national culture	31–32
Table 3	Finland and Russia on Hofstede's dimensions of national culture	34
Table 4	Best practices in Russian joint ventures identified in research	42
Table 5	Empirical results: Targets of parent control	64
Table 6	Empirical results: Focus of parent control	69
Table 7	Empirical results: Mechanisms of parent control	71
Table 8	Empirical results: Cultural differences	74
Table 9	Empirical results: Cultural similarities	75
Table 10	Summary of the conclusions on managing Finnish-Russian joint ventures	83

INTRODUCTION

1 FIELD OF INTEREST

"Russia, Russia, Russia", said CEO Hannu Leinonen from YIT Corporation when he was introducing the company's strategy and targets to investors in London¹. The same phrase had been used a little while prior to that by Jyri Häkämies, the defense minister of Finland when he characterized the three main security challenges for Finland.

The examples show that Western companies see Russia as a great opportunity but at the same time there are many fears and worries. On the corporate level the challenges are related to issues such as how to enter the country and how to operate there.

Companies that have started-up a company in Russia with local partners – established a joint venture – have found that this form of operations provides access to country-specific knowledge, helps them to tackle Russian bureaucracy, gets them better treatment and allows them to share risks. Joint ventures are considered to provide a quick entrance – or sometimes the only entrance – to Russia; to its customers, labor and technological resources. (Fey et al. 1999, 2, 19.)

1.1 Joint ventures, management and culture

Joint ventures provide a fast entry into a local market (Beamish 1988). However, successful operations depend not only on the entry but also on the implementation of the everyday business – the way the venture is managed (Chen 2004, 4). What makes the management of joint venture interesting is that in joint ventures² the decision-making power is distributed among *different parties*: between management of the parent and joint ventures (Chen 2004, 24). Exercising control over joint ventures is more difficult than over wholly-owned subsidiaries because the parent organizations cannot rely solely on their ownership position. Instead, they are required to use other modes of influence (Geringer & Hebert 1989, 236). Control over the venture is not unilateral, so decisions involve greater participation, require more information and take more time (Myers 2007, 7–8).

Governance choices are made already during the formation of the venture, but managing the joint venture over time is usually more important than the initial agreement. Behavioral and

¹ YIT Corporation held a Capital Markets Day in London on September 26, 2007.

² As specified in chapter 3.1, this is the situation namely in equity joint ventures.

managerial factors have been shown to be more important to venture success than formal structural land controls. (see Myers 2007, 29). After the establishment stage, *continuous interaction* between the parent companies and the joint venture becomes critical (Chen 2004, 4).

Compared to foreign acquisitions and mergers joint ventures represent lower cultural risk of entering an unknown country, because they can be established with local partner that may transfer its personnel to the venture (Hofstede 2001, 446). However, when the joint venture involves parties from different nationalities, the *cultural differences* between joint venture partners have often been considered a major factor that may lead to unsatisfactory performance. Cultural differences lead to differences in management practices (see Pothukuchi et al. 2002, 248). Differences in the management practices, in turn, can result in misunderstandings and interaction problems; such as problems in communication, cooperation, commitment and conflict-resolution (ibid. 245–246).

The parties of a joint venture naturally have little control over each other's national cultures, but they could engage in shaping similar organizational practices. ***Overcoming national culture differences and developing management practices that are acceptable to each party contributes significantly to the joint venture's success.*** (Pothukuchi et al. 2002, 262.)

1.2 Finnish-Russian cooperation

Russia represents an interesting field of research for the European companies because of the size and development of its economy. The higher the oil price, the more important Russian market becomes for the European Union countries (Lehto & Salmi 2007, 6).

Finland is the tenth biggest trading partner to Russia and looking at the situation the other way around; Russia is the biggest partner in foreign-trade for Finland (Ollus & Torvalds 2005, 51–52, Ollus & Simola 2007). After the break-down of Soviet Union in 1991 the Finnish-Russian business co-operation has developed fast towards local operations. The use of export and representative offices has diminished and most Finnish companies currently operate through Russian partners or establish a presence through a subsidiary or by buying shares of Russian companies. (Finnish-Russian Chamber of Commerce 2005.) The number of Finnish companies doing business in Russia has grown drastically and the operations are for a large part carried out by small and medium sized companies (Ollus & Torvalds 2005, 55).

Joint ventures are not a new phenomenon in Russia. As part of Lenin's New Economic Politics in the 1920s, foreign companies were allowed to start joint ventures in Russia. In the early 1930s Stalin stopped most joint ventures with Western countries, but Russia continued to have joint ventures with Eastern European countries. A new wave of joint venture activity began in 1987, when all foreign companies gained the right to establish joint ventures in Russia as the

USSR Council of Ministers passed the degree "The establishment and operation on the territory of the USSR, of joint ventures with participation of Soviet organizations and firms from capitalist and developing countries". (Fey 1997, 11.)

Finns were from the start very active in Russian joint ventures. In the beginning of the 1990s the Finns were the second in the number of joint ventures in Russia, after West Germans (Saralehto 1989, 105–106). As a neighboring country – and historically an autonomic part of Russia – Finnish companies have been in contact with Russians for a long period of time and Finns can be argued to know the culture and attitudes of the Russians better than the representatives of other European nationalities (Ollus & Torvalds 2005, 12). However, in a Finnish study that interviewed Russian people only three out of ten Russians recommended joint venture for foreign companies as a way to do business in Russia (Finnish-Russian Chamber of Commerce 2005), which makes it interesting to study Finnish-Russian joint ventures further.

2 OUTLINE OF THE STUDY

This study focuses on the management of Finnish-Russian joint ventures. As stated, joint ventures represent an attracting way of entering a new country but at the same time it has its own challenges; the venture's management is divided among different parties whose continuous interaction is critical for the venture's success. In an international setting, the interaction also involves cultural differences between the parties.

2.1 Research questions and aims

The study in hand is conducted for *YIT Corporation* – a Finland-based group that uses joint ventures established with local partners as a way of expanding its operations especially in Russian construction market. The purpose of the study is to help YIT to overcome national culture differences and develop management practices that are acceptable to each party.

The main research question of this study is:

- *How should a Finnish parent manage joint ventures in Russia?*

The main research question is answered through dividing it into two sub questions:

- *What kind of managerial means should be used?*
- *How should cultural aspects be considered in management?*

By answering these questions the study will provide contribution to different levels of interest. In addition to YIT Corporation, the results of this study can be beneficial to other companies that are doing or planning to do business in Russia. Additionally, the results may be of interest to Russian entrepreneurs that are part of a joint venture or in a process of becoming a part of an international group. The results also provide contribution to the academic community interested in management and cultural challenges in international joint ventures.

Contribution to the case company

The fundamental aim of this study is to enhance the success of YIT's joint ventures and prevent possible conflicts in management. Russia plays an important role in YIT's strategy and provides many opportunities in the construction sector. Joint ventures are essential for YIT also outside Russia. A strategic target for YIT is to expand its operations also to new Central Eastern European countries – potentially through joint ventures (see www.yitgroup.com).

Implementing YIT's strategy through joint ventures can be seen as external corporate venturing. Corporate venturing is an activity which seeks to generate new businesses for the large corporation through the establishment of new ventures. In case of *external* corporate venturing semi-autonomous or autonomous organizational entities are created to reside outside the existing organizational domain (see Maula 2001, 21). An individual or group is given all aspects of the task of developing a new product concept, bringing it to market, and carrying it through at least its initial phases of market place activity and a venture manager is assigned to be in charge of the particular corporate venture (von Hippen 1973). Usually the target is to get advantage of the entrepreneurial spirit of the independent group (Roberts 1980). This study provides information on how this group views the interaction with YIT.

Viewing the joint venture management from a cultural perspective gives YIT information that can be utilized with current joint ventures and in further expansion in Russia. The knowledge of organizations' culture can be used to identify the differences that exist between different parts of the organization and the potential areas of conflict. It gives information how a further integration should be carried out. A follow-up study could be used to measure the development of organizational cultures over time. It can be argued that a company's strategy, structure, control and culture are all related, and thus a cultural study makes it possible to evaluate what kind of strategies best fit with the given culture. (Hofstede 2005, 309–310.)

Finnish companies

Several Finnish organizations – Sitra, Finpro and Finnish-Russian Chamber of Commerce as the most significant ones – support the entrance and operations of Finnish companies in Russia (Ollus & Torvalds 2005). Likewise, the Finnish Construction Industry RT (2006, 3) recommends that especially small and medium-sized enterprises should place their efforts on Russian market and that all significant construction companies should establish presence in the country in the near future. It is expected that following the example of companies already operating in Russia and by creating efficient networks between the companies, a large number of small and medium sized companies could find a way of establishing operations in Russia fast and safely.

YIT Corporation provides a fertile ground for study and serves as an interesting example for other companies because it has a long history in Russia and it already has established several joint ventures in the country. The results presenting the recommended practices of management

in YIT's joint ventures will provide contribution to other companies that operate in Russia or plan to establish a presence there through the means of external corporate venturing. Investment in entrepreneurial ventures has gained popularity as a means for companies to learn about new markets or technologies (Wadhwa & Kotha 2006).

Russian entrepreneurs

Joint ventures with foreign nationalities may give Russians access to start-up capital, leading-edge technology, Western management practices or a brand name. Also for them, as it is to the foreign parties, joint venture is a means of sharing risk, getting preferential treatment and for example obtaining foreign products. (Fey et al. 1999, 3, 19.) However, the role of a joint venture manager is different than that of an independent entrepreneur. Managers of joint ventures are at the same time both entrepreneurs trying to build a successful business as well as agents acting on behalf of the parties that have established the joint venture (Myers 2007, 7–8). This study gives information to entrepreneurs that are interested in different ways of pursuing growth for a small or medium sized enterprise and see the co-operation with another company in form of a joint venture as one option of expanding their business.

For Russian companies, studying the management and culture is important as the market reforms and restructuring of the economy is still going on and the companies are in process of changing their management systems and labor relationships. The companies will have to evaluate, for example, whether it is possible to draw from the experiences of successful organizations that belong to other cultures and how to bring together elements of various cultures in one organization (Danilova 2007, 84).

Academic contribution

Academically the key concepts of this study are joint ventures, corporate venturing, management and culture. The empirical findings of this study will increase knowledge on management of international enterprises and the role of culture in this task.

In the empirical part of the study both the Finnish and Russian parties are heard. Looking from a Finnish perspective it is valuable to have research that covers not only the Finnish side of the story but hears the experiences of the Russian partners.

2.2 Structure of the study

The study is divided into three parts. First, the theoretical framework, through which the central research questions are approached, is introduced. After that the empirical research carried out in the case company, YIT Corporation, is presented. In the last part of the study conclusions are drawn and the research questions are answered.

The research process and the content of the study are presented in figure 1 on page 7.

Research process

The theoretical framework evaporates the key concepts through which the research questions are approached. First, the concept of joint venture is defined. Second, the elements of management and national culture are discussed in more detail. The target is first to identify the key elements relating to how a parent manages the joint venture and secondly discuss what kind of cultural differences may be involved. These concepts are then used in conducting the empirical research and analyzing the empirical data. After the presentation of each key concept its use in this study is discussed. Information on Russian culture as well as prior research findings on the managerial interaction between Finns and Russians are also explored to provide a reference point against which the results of this study may be evaluated.

After creating the theoretical frame, the research questions are sought through empirical research. Focus in the empirical part of the study is to find out the views of the representatives of YIT's joint ventures in respect of managerial and cultural issues. The empirical part covers all four YIT Corporation's joint ventures that operate in different cities in Russia. Data is collected through a questionnaire, interviewing the joint venture managers and by following a discussion on management and culture by Russian representatives.

Answers to the research questions are discovered by analyzing the empirical results through the theoretical framework. And finally, at the end of the study its contribution to YIT management and to other Finnish companies and Russian entrepreneurs as well as to the academic community is discussed.

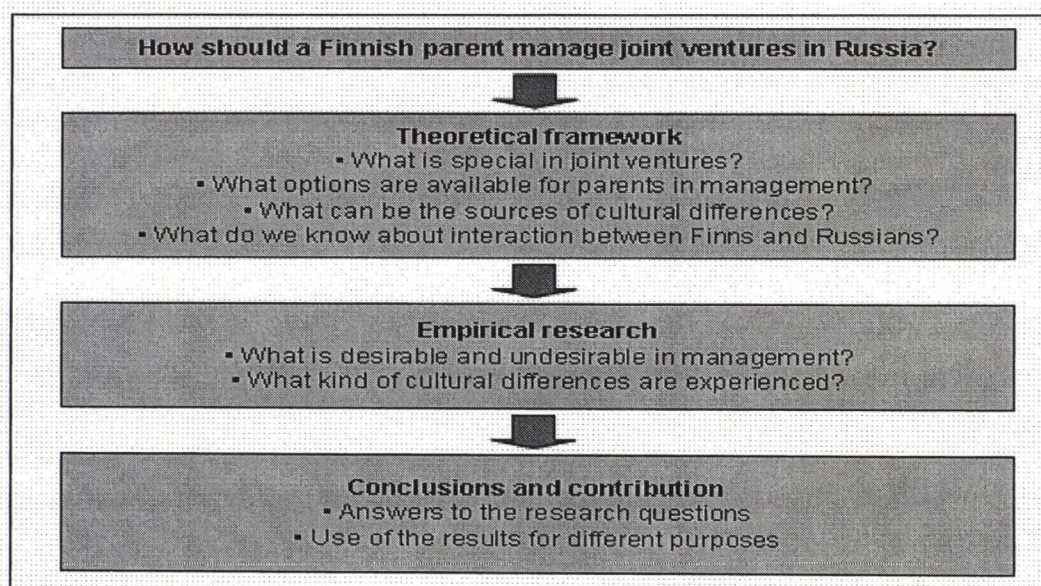


Figure 1: Research process and content of the study

PART I – THEORETICAL FRAMEWORK

3 JOINT VENTURE

The term joint venture can be used loosely to refer to the purpose of some joint action or specifically to a certain kind of organization. Wide definitions are common (Mainela 2002, 22) and individual definitions differ quite substantially (Herzfeld 1996). In order to evaluate the managerial challenges of a joint venture, the concept must be explained in detail. In research, there are choices available in respect of what type of joint venture is viewed and which stage of its development is in focus.

3.1 Definition

Common to all joint ventures is that they are partnerships between two or more parties that seek some kind of benefit through establishing the venture. It is a question of sharing resources and risks in order to reach a common objective. (Hellman et al. 1993, 19.) However, depending on the motivation of the parties and on the line of business, there may be different types of joint ventures. Additionally, the joint venture may be a part of group or in an international setting.

Duration and objectives

Joint venture may be related to a single project or it may be means of merging or regrouping related activities in for example management buy-out situations. Joint venture may also be established to conduct business on a permanent or more long-term basis in order to – for example – provide access to a new market or new product or line of business. (Herzfeld 1996, 9, 10–15.)

Joint venture may be classified by viewing how its business is related to the parties that have established it – to the parents. Joint venture is *horizontal* if it operates broadly in the same field of business as the parent; *vertical* when the businesses of the joint venture and its parent are engaged at different stages of a value chain or process; or a *conglomerate* when the joint venture is operating in a field unrelated to the parent. (Herzfeld 1996, 9–10.)

Types of contractual relationships

To serve a short-term objective a contractual joint venture may be formed. In case of more long-term strategy equity joint venture comes into question.

Contractual joint ventures do not involve a joint ownership. They are established for a medium-term and their existence is based on a contract between the partners.

Equity joint ventures – on the other hand – are formed to serve on a long-term basis and they require that each partner has invested capital in a *new organizational entity*. (Hellman et al. 1993, 19.)

Parties and management

It can be argued that the main difference between contractual and equity joint ventures, is that in the latter case a new company is formed. In contractual joint ventures the management is carried out by the founding partners. They do not have an independent management function.

In the case equity joint ventures, the parties include the founding parties – usually referred to as *parents* – and the *joint venture* itself (Hellman et al. 1993, 15–18). The founding parties may be either companies or private individuals. The number and nature of the parents and their shares in the venture and in its control may vary. (Herzfeld 1996, 7.) The personnel of the joint venture can be transferred from the parents' organizations or they can be recruited directly to the joint venture.

In equity joint ventures the managerial relations involve the relationship between the parents as well between a parent and the managers of the joint venture. Equity joint ventures involve joint control, which arguably means that decision-making and everything that is known as “management style” must be shared by the parents and the joint venture (Herzfeld 1996, 26). Figure 2 presents the managerial relationships in equity joint ventures.

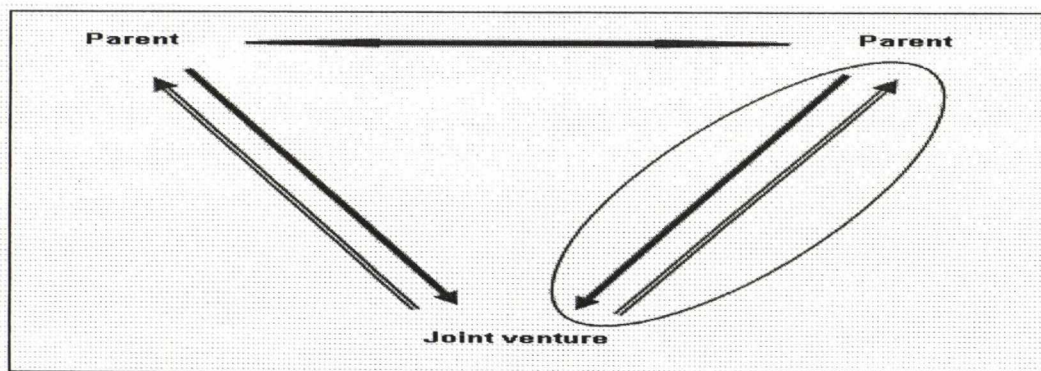


Figure 2: Managerial relationships in joint ventures
(based on Buckley et al. 2002, 117 & Harrigan 1985, 50)

Joint venture and a Group

If one of the parents is a large company or a group, joint ventures established on a long-term basis can be seen from the large company's point of view as a means of external venturing.

External corporate venturing means that the corporation creates semi-autonomous or autonomous organizational entities to reside outside the existing organizational domain in order to pursue access to a new market or product (see Maula 2001, 21). It gives the task to develop the business to a certain individual or group (von Hippen 1973). Available options in external venturing include for example venture capital, venture nurturing, venture spin-offs and joint ventures. In the first the involvement of the large company is based solely on financial investment and in the latter case it involves deeper managerial involvement and assistance. (Roberts 1980, 135–136.)

Also term corporate entrepreneurship is used to refer to the types that include managerial involvement (Wadhwa & Kotha 2006), because then the larger company actually takes part in entrepreneurial operations.

From a Finnish group's point of view (Ordinance on the Accounting Board) consolidation of the joint venture's result into a group's income statement requires that the joint venture must meet the following conditions:

- It has two or more owners. The ownerships may be of different sizes, usually varying from 20% to 50% of the voting rights.
- The owners are jointly responsible for the management – financial and operational decisions – of the joint venture.

Joint management can be based on the company's Article of Association or on other regulations or agreements. Each owner must have a representative in the management bodies of the joint venture.

It is important to notice that additionally it is demanded that the joint management must be realized in practice.

International setting

Often the term *international joint venture* is also used. The term covers both the joint ventures that have at least one parent organization's headquarter in another country than where the joint venture operates in, as well as ventures that have a significant level of operations in more than one country (Geringer & Hebert 1989, 235, Herzfeld 1996, 19).

By definition an international joint venture could be either a contractual or an equity joint venture. However, it could be expected that usually the objective is to start a more long-term co-

operation in form of an equity joint venture. As Herzfeld (1996, 19) states, that perhaps the most frequent application is that one of the parties has an established operation in its home country and seeks to gain a new market abroad. It teams up with a local company which may be engaged in a different kind of business but seeks to extend the range of its operations.

International equity joint ventures can be defined as formal cooperative arrangements, concretized in the formation of a new business unit between two or more legally independent organizations. These parent companies are of different nationalities and have pooled resources and shared risks in this jointly owned business entity to achieve some common goal. (Mainela 2002, 15.)

Joint ventures in this study

This study focuses on YIT Corporation's joint ventures that are *international equity joint ventures* that operate in Russia in business that is *horizontal* to that of the parent. The joint ventures are set up to serve long-term strategic targets. They are international in a sense that they are established by Finns and Russians.

The joint ventures can – from YIT's point of view – be seen as external corporate venturing as YIT finances the business units that operate outside of it. Management is shared so that the decision-making regarding the joint venture is in practice – and not only on paper – divided by the partners.

The joint ventures are owned together with Russian parties of whom one also acts as the joint venture manager. This means that the other parent and the joint venture manager can be considered as one party.

Focus of this study is in the relationship between the parent and the joint venture.

The following terminology will be used.

The term *joint venture* includes in this study only the organization itself, not the parents or their organizations.

The *parent* is a founding company that owns the majority of the venture. For other owners a term *minority owner* may be used.

The *management of joint venture* covers both Finnish and Russian people that work within the venture.

The *joint venture manager* is the general director of the joint venture – the highest manager in Russian organizations.

3.2 Stages of development

To study how the joint venture should be managed, the development process of joint ventures must be understood. The development of joint ventures differs from for example established subsidiaries. Also, all the stages have impact on the joint venture's management. It is not possible to discuss the management if not familiar with the key elements of the joint venture's prior development and how its future may be looked at.

Looking from the viewpoint of a parent, different stages in the development of international joint ventures have been identified in academic research. The stages and the challenges associated to each – called core dimensions – are the strategic motives for the formation, partner selection criteria, management control and measuring the performance (Glaister et al. 2005). These stages can be complemented by seeing also the start-up and division of tasks as well as the future expectations as stages (Karhunen et al., 2003).

The stages of joint venture development and relationship building are presented in figure 3. Below these stages are described shortly and their impact on management – the topic of this study – is discussed.

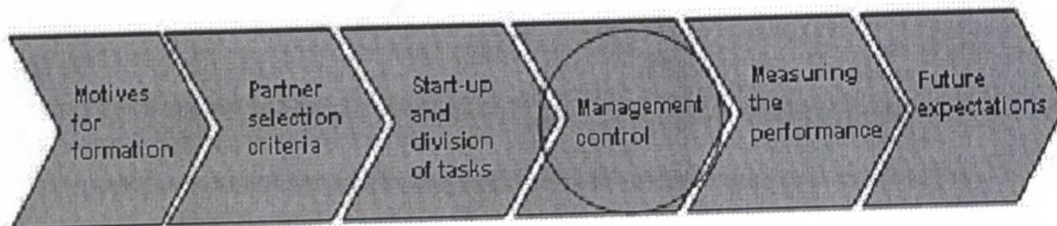


Figure 3: Stages of joint venture development

Motives for formation

Venturing strategy usually seeks either to enter new markets or to sell significantly different products in its existing markets (Roberts 1980, 134). In comparison to other forms of business, the advantage of joint ventures is that they make possible to limit the required investment and risk as well as gain benefit from the parents' diverse skills and strengths (Herzfeld 1996, 25–26). The formation of a joint venture may give access to human resources, specific knowledge or items that can then be capitalized as the consequence (Beamish 1988, 25–27). In an international setting, local partners may contribute to faster entry and better access into local market and resources as well as provide knowledge of current business practices, economy, politics and culture (ibid., 29–39). When a large and a small company establish a joint enterprise the idea is usually that the small company provides entrepreneurial enthusiasm and the large, for example, capital and channels for marketing. This is expected to provide a combination that generates distinct competitive advantage. (Roberts 1980, 136–137.)

Motives for establishment form the basis for what should be pursued by the venture and thus give directions on how the joint venture should be managed. For example, if the motive for the joint venture is to gain access to tangible assets the requirements for management are naturally different than when the joint venture parties seek to get advantage of each others' professional expertise. Additionally, the partners' motives also affect their material and immaterial contribution and this in turn affects the role they will have in the venture (Karhunen et al. 2003, 31–32).

Partner selection criteria

Important stage in respect of the future development and success of the venture is the partner selection. The choice of a particular partner influences the combination of skills and resources that become available to the venture. (Glaister et al. 2005, 47.) Generally, partner selection criteria can be divided into criteria that are related to carrying out the task and to criteria that are related to the characteristics of the partner as a companion. Task-related criteria include knowledge of market conditions, environment and political influence. Partner-related criteria – on the other hand – include issues like reputation, potential to maintain a continuing and stable relationship, position within the industry, professionalism, honesty and seriousness, fit, and enthusiasm for the project. (Glaister & Buckley 1997.)

It has been argued that the partner selection stage is crucially important for the successful co-operation in the future. Paying attention to the so called partner-related criteria in this stage is argued to diminish the management difficulties during the joint venture's operations. (Ariño et al. 1997.)

Start-up and division of tasks

In the start-up stage the joint venture partners evaluate what each party is bringing to the venture i.e. what is the initial contribution, how the responsibilities are divided and how the operational management is arranged. The joint venture is then given the task of realizing the objectives upon which the partners have decided, using the agreed resources. (Glaister et al. 2005, 62.)

As the main challenge in the joint venture management is that the decision-making is divided among different parties it is crucially important that there is a common understanding of the division of tasks and the objectives of the venture. If not clarified and discussed in earlier stage of the development, the formal arrangements agreed upon at this stage play an important part.

Measuring the performance

The performance of joint ventures can be measured in many ways. Traditional measures of success are often based on objective, financial criteria or other past-related, short-term criteria. Joint venture performance has been evaluated also by measuring the dissolution, duration, goal

attainment and satisfaction (Pothukuchi et al. 2002, 248). When using subjective measures, the evaluation of the performance and success may differ depending on whether they are made by the partners or by the managers of the joint venture (Glaister et al. 2005, 62–63).

As performance may be measured in alternative ways, also management may be evaluated looking at it from different angles. Thus the used performance measures form a basis also for giving feedback to the managers and guiding their actions.

Future expectations

The future expectations may be different from the original motives behind the establishment. As the joint venture develops, its significance to the parent may change. The operations can be carried on in same manner, there may be plans to develop and grow or start up new types of business. The operations may often evolve so that the form of the venture is changed. Sometimes the joint venture may be a step that is taken before the other party takes the whole venture in its own hands. (Karhunen et al. 2003, 38,41.)

It is possible to see that future expectations of each joint venture party direct their behavior and actions regarding the management in similar fashion as do the original motives for establishing the venture.

Stages of development and management

This study focuses on the stage of “management control”. As explained above, all of the development stages have some kind of effect on the management of the venture. It can be concluded that the motives for establishment, performance measurement and future expectations are all related to targets – targets for the joint venture and targets for its management. The stages of partner-selection and start-up and division of tasks are on the other hand related to the means, i.e., what parent can do to support the successful management.

As the target of this study to discuss how a Finnish parent – namely YIT Corporation – should manage its joint venture’s in Russia, it is important to acknowledge that the recommended managerial measures are always dependent on the targets that are set. Second, it is important to be aware that many of the issues that may create problems or contribute for the well-run co-operation are determined prior to the stage of actual operations of the joint venture.

4 MANAGING A JOINT VENTURE

It has been stated that joint ventures differ from other types of corporate venturing because in them the relationship between the corporation in question and the venture is built on intense cooperation rather than on investment. The realization of the potential benefits of the venture is often difficult as it is influenced by the quality of the relationship between the corporate venture and the parent corporation. (Maula 2001, 53.) This study concentrates on the relationship between the parent and the joint venture – looking at it from the parent's perspective. This chapter discusses the background information needed to answer the first sub-question of this research:

What kind of managerial means should be used?

First, the managerial relationship between the parent and the joint venture is discussed in order to understand the two-way interaction between them. After that management is looked from the viewpoint of the parent by presenting the choices available when managerial decisions are made.

4.1 Relationship between parent and joint venture

What is seen as important in joint venture management depends on whose view is taken. As joint venture involves different parties, the research on joint venture management can take either the parent's view or that of the joint venture itself. Secondly, research can concentrate on different stages of the joint venture's development – either on the establishment of a new venture or on the stage of on-going operations. This is visualized in figure 4.

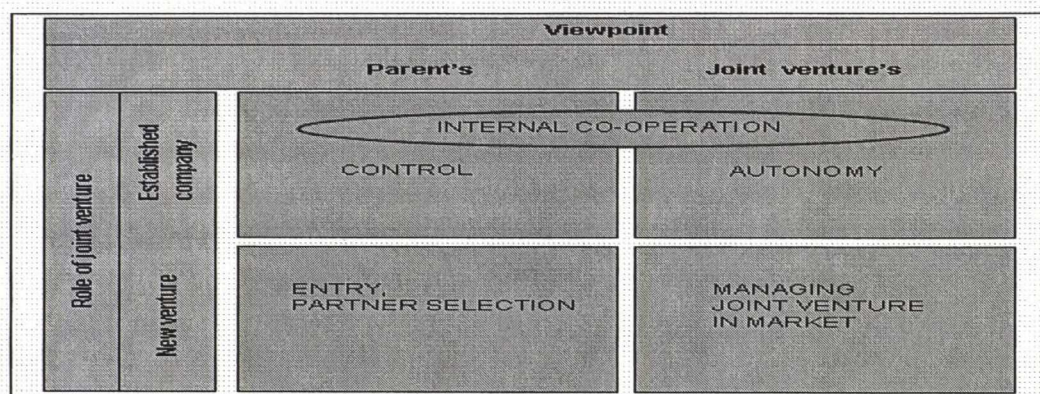


Figure 4: Alternative views on management of international joint ventures
(based on Mainela 2002, 23).

When a new joint venture is in question, it is important from the parent's perspective to concentrate on the partner selection and establishment of the procedures. From the joint venture's perspective it is essential to position the venture in the market, and in regards to the management the joint venture general manager's challenging task is in focus. (Mainela 2002, 30–31.)

Taking a more long-term perspective internal cooperation becomes critical. In research stressing this aspect, the development process of venture relationships and the joint venture's relationship with its parent is given the focus. (Mainela 2002, 24–26.) From the parent's perspective the question of management comes down how it controls the venture and from the joint venture's point of view it is a question of autonomy over the parents' control (Myers 2007, 14).

The founding companies must exercise control over the joint venture in order to achieve the full potential of the chosen strategy and to attain the agreed objectives (Geringer & Hebert 1989, 249). They may limit the venture's autonomy to protect their capital or technology investments, to direct what gets done and how, and to monitor, coordinate, and integrate the venture's activities with their own (Myers 2007, 9–10).

On the other hand, the joint ventures need autonomy to accomplish their current and ongoing activities and they also need autonomy to pursue new activities and opportunities (Myers 2007, 14).

Control can be defined as "the process through which a parent company ensures that the way a joint venture is managed confines to its own interests" (Schaan 1983, 57). The definition highlights that the control is exercised to achieve the strategic targets of the parent and is directed to the management of the joint venture.

Autonomy is the extent to which joint ventures have the freedom to make decisions over certain areas of their operation (Myers 2007, 15).

The way the control-autonomy relationship turns out depends on several issues. Situational factors may influence the managerial setting (Myers 2007, 28). Also, both parties are active in defending their role in the decision-making.

4.1.1 Venture manager's perspective

Venture managers are both acting on behalf of the partners as well as working as entrepreneurs trying to build a successful business (Myers 2007, 7–8). Manager must, in addition to managing the joint venture itself, also manage relationships to parents with divergent motivations and goals. (Mainela 2002, 30–31.) They need upward management skills such as communication and negotiating skills, diplomacy and flexibility. The joint venture managers have to build a bridge between different company cultures and, possibly, national cultures. Cultural awareness and diplomacy, political skills and cultural sensitivity are needed. (Buckley et al. 2002, 124–125.)

Managers of the joint ventures are not just following explicit directives but actively monitor and adjust their level of strategic and operational autonomy (Myers 2007, 161). They manage the venture's autonomy through formal and informal means (ibid., 16–20).

Autonomy is sought by the venture managers for different reasons. Autonomy can be divided into positive, constructive autonomy and negative, opportunistic autonomy. *Constructive autonomy* is the degree of independence that helps venture managers to satisfy partner expectations and serves the venture's development. *Opportunistic autonomy* on the other hand does not serve the parents; rather it is something the manager exercises for more individual or selfish reasons. (Myers 2007, 11.)

4.1.2 Parent's perspective

Managers in parent companies need skills to fulfill their role in the joint venture. Parents should be able to establish clear goals and parameters with which the joint venture management may operate and establish an agreed understanding of how they are going to monitor the management practices and performance. Usually some control is needed but it can be argued that eventually parent managers need to have the skills to develop a "hands-off approach" and give the joint venture management enough operational autonomy. Some degree of parent control is always required, however, without it interfering the joint venture management. (Buckley et al. 2002, 123–124.)

From the parent's perspective, the general manager of a joint venture plays an important role. The general manager is responsible for maintaining relationships with each of the parents, as well as running the venture (Geringer & Hebert 1989, 242). The venture managers establish the right tone for the co-operation, particularly regarding the degree of trust between the venture and its parents, monitor the partners' contributions of human, financial, and material resources, manage information flows and evaluate the strategy (Myers 2007, 12).

Thinking of how a parent should manage the joint venture different theories offer different solutions. For example, theory of transaction cost theory simply sees that parental control should be exercised without incurring a high level of administrative or organizational

inefficiencies – transaction costs – that offset the strategy's potential benefits. (Geringer & Hebert 1989, 248.) Contingency theories and agency theory, on the other hand, take the relationship between the parties into account.

Contingency theories see that there is no universal or one best way to manage, rather the optimal way of organization and best leadership style is always dependent – contingent – upon various internal and external factors. Management style must be appropriate taking into consideration both the tasks that are to be performed as well as the characteristics of the people and the work group.

Agency theory sees that having somebody else acting on behalf of another creates a so called "principal-agent problem". The situation is problematic because the other party – the agent – has more information than the party that has given the assignment and their interest may not be similar at all times. Agency theory highlights that an important consideration in designing control systems is to achieve correspondence between the objectives of the agent with those of the principal's. Compensation arrangements with appropriate incentive plans can reduce the threat of joint venture managers taking actions contrary to the parent's interest (Kumar & Seth 1998.)

It can be argued that theories stemming from organizational economics tradition – transaction cost theory and agency theory – emphasize the importance of governance (Chen 2004, 20) and see the relationship of control and autonomy as something that is *formally* granted (Myers 2007, 16–20). On the other hand, the behaviorally oriented tradition, for example contingency theories give importance to the structure and character of the *relationships* between venture partners and venture managers and acknowledge both informal and formal processes (Myers 2007, 16–20).

In this study both the ideas offered by the agency theory as well as contingency theory are employed. It is concluded, that it is important for the parent to manage the joint venture in a manner that the joint venture management accepts. The focus is not however on the formal procedures or incentives structures but rather the everyday interaction. Cultural characteristics of the persons involved are taken into consideration.

4.2 Dimensions of parent control

By synthesizing the prior research it can be concluded that parents can make decisions on:

- how much
- what issues and
- in what ways

they control the joint venture. In academia these choices are called the extent, focus and mechanisms of control (Geringer & Hebert 1989, 241).

4.2.1 Extent of control

The extent of control is the *degree of control achieved* by the parents and relates to question: How much to control? (Geringer & Hebert 1989, 249).

Defined in this manner the extent of control is associated only with the end result, the achieved degree of control. The definition is not concerned with the aspects of how widely the control is used over the joint venture's operations or how in-depth the parent's involvement is. However, these aspects may be how the parent control is experienced by the joint venture and its management.

From parent's perspective the extent of control is dependent on how the management is organized. So called dominant parent joint ventures are managed by only one parent like wholly owned subsidiaries. On the other end of the continuum, there are independent ventures that are managed solely by the venture managers and are thus free from interference of any parent. In the middle there are ventures whose management is shared by both parents – and in case of equity joint ventures – also with the joint venture management. (Killing 1982, 121).

Consequently, from the joint venture's perspective the general manager's relative power can range from very little power to autocratic power, i.e., having the dominant control individually. In situation of shared management the joint venture manager's power can be called democratic power. (Geringer & Hebert 1989, 242.) The role of the general manager is then dependent on what they can and cannot do, and on what issues they need to get an approval from the parent (Beamish 1988, 81–83).

Choice of extent

It has been found that dominant parent joint ventures are good, because problems arise when multiple parents control the joint venture. The parents should contemplate whether shared management is really needed by evaluating the managerial competences of each. (Killing 1982,

122). It has been found that small differences in equity holding do not determine the parent's extent of control (Glaister et al. 2005, 60).

Independent joint ventures have been found to perform well (Killing 1982, 121), which would suggest that it is important to evaluate also how much parent control actually is needed and to aim for clear division of roles in the relationship between parent and the joint venture.

In order for a parent to decide how much to control it must evaluate what is needed to ensure the achievement of the strategic targets. Excess controlling may generate a level of transaction costs that offset the strategy's potential benefits. Additionally, it may hinder the venture's ability to respond to local market demands. (Geringer & Hebert 1989, 249.) It has been argued that the joint venture general manager should be allowed as much autonomy as possible (Killing 1982, 127).

4.2.2 Focus of control

The focus of control relates to the question of what to control. Focus of control is the *scope of decisions and activities over which the parent exercises control*. (Geringer & Hebert 1989, 249, Schaan 1983, 279.)

Depending on whether there are precise groups of decisions or wider lines of actions over which the parent exercises control, the control is viewed either as output or process control (Chen 2004, 14).

Decisions that parent companies control may include for example (Killing 1982, Beamish 1988, 18):

- Product price
- Product design
- Product schedule
- Production process
- Quality standard
- Replacing a manager
- Sales targets
- Cost targets
- Budget for capital expenditures.

Activities may cover for example (Chen 2004, 120):

- Strategic planning
- Short-term goal setting
- Expenditure/budgeting
- Distribution
- Executive succession
- Production
- Quality control
- Supply/procurement
- Sales/marketing
- Pricing
- Personnel/staffing
- Administration
- Customer service.

As the above examples demonstrate, the focus of control can be targeted to any decision or action within the business operations.

The focus of control is sometimes very interrelated with mechanisms of control – the dimension to be explained next. It could be said that the “parent controls the joint venture by influencing the staffing”. In this case staffing is both a mechanism – a means or way of control – as well as the focus of control. In order to understand these dimensions as separate, the focus of control can be seen as a “check point” for the parent; it is the control over a certain decision or action that is expected to serve the more general strategic targets. From joint venture manager’s side the focus can be understood as defining what he/she is expected to achieve; what are the targets set by the parents (Beamish 1988, 81–83).

Choice of focus

As control is needed for the achievement of strategic targets, the joint venture parents seek to focus their control over particular decisions and activities rather than over the whole joint venture (Schaan 1983, 279).

First, the parent companies should identify which areas, activities and decisions are essential for joint venture’s success (Schaan 1983, 279). Secondly, they should evaluate the expertise that can be provided by the parents and on the other hand by the joint venture management. It has been argued that the best alternative is to choose partners with complementary rather than similar expertise (Killing 1982, 127). Each party’s contribution is also dependent on the line of business and its relation to the parent’s own business.

4.2.3

Mechanisms of control

The third dimension of parental control is the mechanisms. They are *the means by which control may be exercised*. (Geringer & Hebert 1989, 249.)

Viewed from the joint venture managers' side, the control mechanisms can influence his/her role on the aspects of: to whom they report, who sets policies and procedures and general management practices, and what role do parent company managers play (Beamish 1988, 81–83).

Mechanisms are the first dimension of joint venture control which researchers have examined. Initial studies showed that companies frequently relied on majority ownership or on voting control. In the early studies the following control mechanisms were identified (Geringer & Hebert 1989, 237–238.):

- Right to veto
- Nomination of managers
- Representation in management bodies and
- Special arrangements such as licensing or management services.

Later on the studies didn't see control as an automatic consequence of ownership. Rather they showed that a variety of mechanisms were available to companies. (Geringer & Hebert 1989, 237–238.) The control and coordination mechanisms have included, for example (based on Kumar & Seth 1998, 580):

- Structure of the joint venture board of directors to influence *voting* outcomes
- *Staffing* the top management positions of the joint venture with representatives from the parent
- Internal role of the joint venture board of directors, i.e., *participation* by joint venture board members in the joint venture's strategic planning and performance monitoring processes
- Integrative mechanisms such as direct *contact* between executives of the parent and the joint venture, liaison personnel, temporary task forces, etc.
- *Socialization* of managers by encouraging their involvement in training sessions, meetings, and seminars with the parent and
- Design of *incentive* plans for joint venture managers to align their interests with those of the parent.

The mentioned mechanisms – arranged in this order – can be seen as a continuum. On top, there are two formal ways of control that are likely to rely on majority ownership or contractual agreements. Next, there are two mechanisms that both have to do with interaction between the representatives of the parent and the joint venture. The bottom two mechanisms relate to “motivating” the joint venture’s managers.

The three blocks of mechanisms are close to the following categories (Geringer & Hebert 1989, 241):

- Content-oriented mechanisms that are more direct interventions and typically bureaucratic in nature
- Process-oriented mechanisms that parents exercise through reporting relationships and by influencing on the joint venture’s planning and decision-making processes
- Context-oriented mechanisms that aim to establish an organizational context that would be appropriate for the achievement of parent company’s objectives.

Control mechanisms can be categorized as *positive* control mechanisms, which are focused on promoting certain behavior and as *negative* control mechanisms, which are used to prevent certain activities or decisions (Schaan 1983).

The mechanisms can be *formal or informal* in nature. It has been found, that although formal mechanisms are often emphasized, the closer examination may reveal, for example that decisions are heavily discussed in an informal setting prior to the formal meeting (Glaister et al. 2005, 56).

Choice of mechanisms

The identification of control mechanisms has been carried out in a thorough manner, but the motives that underlie the use of different mechanisms have been studied less comprehensively (Kumar & Seth 1998).

It could be expected that the choices made in respect to the extent and focus of control have an impact on the chosen mechanisms. Also, it should be noted that the mechanisms used by the parent companies as well as the value of a particular control mechanism are likely to vary across situations (Geringer & Hebert 1989, 237–238).

The background of the parent company; such as the parent’s strategic orientation and intention, parent’s resource commitment and parent’s own competencies have been identified to have an influence on how the parent sees the joint venture and how it controls it (Chen 2004). The

correspondence of the parties' goals and their dependence on each other shape the control and autonomy (Myers 2007, 4, 124).

Not only the development of internal relationships but also the joint venture's relation to outside world shapes the managerial environment (Mainela 1998, 25). For example, the degree of uncertainty in the environment may influence the design of parent control (Kumar & Seth 1998). It has been found that strategic interdependence between the joint venture and the parent as well as the environmental uncertainty faced by the joint venture affect the design of the control mechanisms. In situations where the parent and joint venture are strategically highly dependent on each other, more complex control mechanisms appear to be necessary to manage the relationship. On the other hand, when the level of uncertainty in the environment is high, more complex control mechanisms appear to be inefficient in management. (Kumar & Seth 1998, 579.)

4.3 Discussion: How to apply the dimensions of parent control

In this chapter the relationship between parent and joint venture has been discussed coming to conclusion that the parent should use managerial means taking into consideration the joint venture management's role as an agent acting on the parent's behalf and the contingent factors that are employed in this relationship. This means that the managerial means should be such that are found good by the joint venture managers considering – in this study's setting – especially their national culture.

It is concluded that the parent can make choices on how much, what and in what ways it controls the venture. These dimensions of parent control are used in this study to answer the question of: what managerial means should be used by the parent. Data will be gathered to answer all of these aspects. Additionally, as the joint venture manager's role is seen as important also this will be touched upon in the empirical part of the study to understand the general situation.

The term "parent control" that is used together with the dimensions stresses very strongly the parent's view. That is the view taken also in this study. However, the focus is on the interaction between the parent and the joint venture. The views of joint venture representatives are studied in the empirical part of the study. Thus the dimensions of control can be understood in a wider way. The dimensions are suitable for analyzing also the parent's actions seeing them as participation or involvement. Thus, in this study the dimensions of control are also referred to neutrally as *managerial dimensions* and terms *involvement* or *participation* may be used instead of control.

5 CULTURAL DIFFERENCES

Joint ventures involve different organizational cultures and in case of international joint ventures they are also faced with different national cultures. Consecutively, in case of Russian-Western joint ventures, they additionally face the differences in economic cultures. (Cattaneo 1992, 68–69.) Cultural differences lead to differences in management practices resulting in misunderstandings and interaction problems (Pothukuchi et al. 2002).

This study focuses on the differences between national cultures. The underlying idea is that the parties of a joint venture should overcome national culture differences by developing management practices that are acceptable to each party (Pothukuchi et al. 2002).

In this chapter the possible areas of national cultural differences are studied in order to provide a frame of analyzing the second sub-question:

How should cultural aspects be considered in management?

Theories of Geert Hofstede are used to identify which cultural issues may involve differences and similarities between the parties.

5.1 Culture by Geert Hofstede

Geert Hofstede is a Dutch cultural anthropologist whose typology of viewing and describing cultural similarities and differences both on national and organizational level has been particularly influential in cross-cultural management research (Holden 2002, 20). Hofstede sees that every person's "mental programming" depends on human nature, the social environment in which one has grown up and on the personal qualities (Hofstede 2005, 3–4). The levels of uniqueness in mental programming can be viewed as presented below in figure 5.

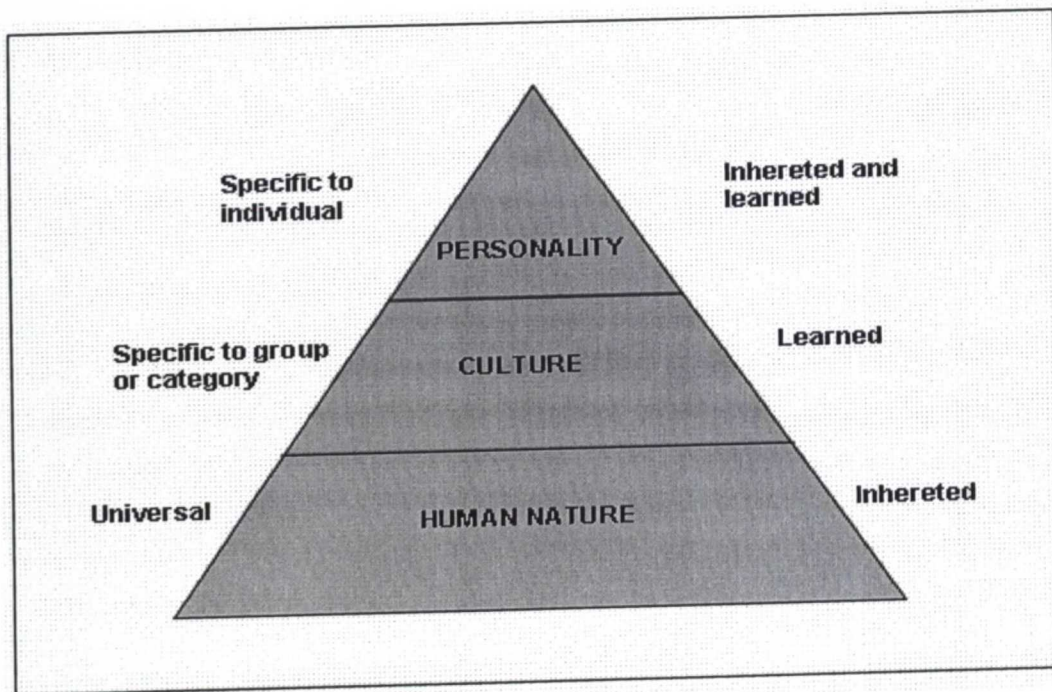


Figure 5: Levels of uniqueness in mental programming (Hofstede 2005, 4)

As seen from the above figure culture is one of the factors that affect people's mental programming. In Hofstede's (2001, 9–10) terms:

Culture is the collective programming of the mind that distinguishes the members of one group from another and determines the uniqueness of a group in the same way personality determines the uniqueness of an individual.

Central to Hofstede's theory is that it defines the dimensions in which the nationalities³ and organizations differ⁴.

National culture distinguishes similar people, institutions and organizations in different countries. National cultures differ primarily in the area of *values* (Hofstede 2001, 373) – the tendencies to prefer certain states of affairs over others (ibid., 5). These differences produce five dimensions on which different nationalities may “score” differently. The dimensions on national culture are 1) Power distance, 2) Uncertainty avoidance, 3) Individualism, 4) Masculinity and 5) Long-term orientation.

Culture's consequences

According to Hofstede's theory culture's values affect people's thinking, feeling and acting (Hofstede 2005, 3–4).

The processes by which cultural differences influence for example in work setting may be viewed through different theories. For example, anticipatory adjustment theory claims that partners forecast the problems they might confront with the other partner based on their former knowledge of the culture and behavior of that nationality and then adjust their own behavior to avoid the expected problems. U-curve theory of adjustment claims that the partners go through an adjustment process and it can be divided into five phases; honeymoon, culture shock, adjustment and mastery. (see Pothukuchi 1999, 105.)

³ The dimensions of national culture differences are based on the findings of the IBM study carried out in 1967-73. It was a large research project covering business employees across 72 countries. The IBM study first identified four independent dimensions of national culture along which the values differ. In the 1980s Bond's Chinese Value Survey contributed the fifth dimension. These studies have been followed by a series of on other studies. (Hofstede 2001, 41.)

⁴ Organizational cultures were the object of a IRIC project (Institute for Research on Intercultural Cooperation in the Netherlands) in 1985-86. It covered 20 organizational units in Denmark and the Netherlands. The IRIC project showed that shared perceptions of daily practices should be considered the core of an organization's culture. (Hofstede 2001, 287, 373). Organizational culture distinguishes the members from different organizations, or parts of them, within the same national context. (Hofstede 2001, 391). Due this they are excluded from this study.

Cultural contingency theory sees that not only the national cultural differences but also the individual level has an effect on people's behavior (see Pothukuchi 1999, 105). According to cultural contingency theory, contextual factors – for example phase of development, the particular organizational issues that have arisen in the operational history of the venture, as well as the cultural stances of individual team members – all may have significant influence on the interaction in the working environment. (Brannen & Salk 2000.)

Of the above theories Hofstede's ideas are most in-line with the cultural contingency theory. Hofstede sees that differences in values are correlated with differences in management styles and with the types of problems intercultural collaborations between members of two cultures might be expected to encounter. It is also recognized that some differences in cultural backgrounds may be more difficult to combine than others (Barkema & Vermeulen 1997, 845).

Hofstede (2001, 375) himself considers power distance and uncertainty avoidance as the crucial dimensions of organizations' functioning. Power distance relates to the questions of who makes the decisions and what they are like – for example how authoritative. Uncertainty avoidance relates to the issue in what ways one ensures that the tasks get done – on what the manager's focus their attention. (Hofstede 2001, 375).

In another study it was found that especially differences in uncertainty avoidance and long-term orientation cause problems. It was argued that these dimensions have to do with how partners perceive and adapt to opportunities and threats. Additionally it was concluded that cultural differences regarding power distance, individualism and masculinity are more easily resolved because they are mainly reflected in different attitudes toward the management of personnel – something companies can make explicit agreements on before entering the partnership. (Barkema & Vermeulen 1997, 859.)

5.2 Dimensions of national culture

The five dimensions of national culture are each rooted in basic problems with which all societies have to cope, but on which their answers vary due to different values (Hofstede 2001, 29). Values are invisible until they become evident in behavior (Hofstede 2001, 10). The way the five dimensions of national culture – power distance, uncertainty avoidance, individualism, masculinity and long-term orientation – become visible in a work setting is explained next.

The tables 1 and 2 on pages 31–32 summarize the key differences along each dimension.

5.2.1 Power distance

Power distance is the dimension that provides different solutions to the basic problem of human inequality. When power distance is high, people expect and accept that power is distributed unequally – and the other way around. (Hofstede 2001, 46.)

Workplaces in cultures of large power distance are characterized with centralization of the power to few persons and high hierarchies. Managers are expected to be autocrats that make the decisions and the subordinates are expected to do what they are told. The salary-level differences are wide and the status symbols are common. In societies with small power distance the subordinates are expected to be consulted. The hierarchy simply means different, pragmatic roles. (Hofstede 2005, 55–59.)

5.2.2 Uncertainty avoidance

Uncertainty avoidance is related to how much stress is felt in the face of an unknown future or unclear situations. A society with extremely high uncertainty avoidance is characterized with precision and formalization and a society with low uncertainty avoidance with ambiguity and chaos. It should be noted that avoiding uncertainty is not equal to avoiding risks; risks are related only to a particular event while uncertainty avoidance is a broader tendency that values situations with much certainty. (Hofstede 2005, 172.)

In societies with high uncertainty avoidance the top managers concentrate on daily operations. Workplaces are embedded by many formal laws and informal rules controlling the rights and duties of employers and employees. Paradoxically, although there are plenty of rules in countries they are not necessarily well followed. (Hofstede 2005, 183.) At the opposite end, in societies with low uncertainty avoidance, top management concentrates on strategic thinking, there are only a few rules and employees work hard only when needed. (Hofstede 2005, 182–189.)

5.2.3 Individualism

Individualism (vs. collectivism) is the dimension that characterizes how the society affects the individual. In societies with high level of individualism the impact of society is small. Low level of individualism means that the society has a big impact on the individuals and that the primary values are collective. (Hofstede 2001, 75.)

In individualistic societies employees are expected to act according to their own interests. Work should be organized so that self-interest and employer's interest coincide. Tasks are more important than the relationships. In collectivistic societies employer-employee relationship is more family-like and human relationships are valued high. Rewards are directed to whole groups and direct feedback is not appreciated. Also, the attitude towards customers differs, as in collectivistic societies customers that belong to "in-group" are treated better than others. (Hofstede 2005, 76, 99–104.)

5.2.4 Masculinity

Masculinity (vs. femininity) dimension explains how tightly the roles of men and women are defined and how the – traditionally – masculine and feminine emotions are valued in the society (Hofstede 2001, 279).

When the level of masculinity is high in the society, the gender roles are tight and status symbols, competition and career achievements are valued in work. In feminine societies, gender roles are vaguer, and inner coherence, co-operation and human relations are valued in work places. (Hofstede 2005, 118–119, 143–104.)

5.2.5 Long-term orientation

Long-term orientation (vs. short-term orientation) presents different views in respect to time. Long-term orientation means that people's efforts focus on the future. Short-term orientation stands for the fostering of virtues related to the past and present; respecting the tradition, preservation of "face" and fulfilling social obligations. (Hofstede 2005, 210.)

In societies that have a long-term orientation, work organizations value market position over bottom line and over this year's achievements. Both managers as well as workers share same aspirations and do not – as is the case of societies with short-term orientation – form separate camps in which people are more interested in their own freedom and rights. (Hofstede 2005, 225.)

Key differences in work environment along the dimensions of national culture 1/2		
POWER DISTANCE	Small power distance	Large power distance
Distribution of power	decentralized	centralized
Hierarchy	means different roles	reflects inequality between higher and lower levels
Subordinate-superior relations	are pragmatic	are emotional
Managers rely on	themselves and their subordinate	superiors and on formal rules
Subordinates expect to be	consulted	told what to do
Ideal boss is	a resourceful democrat	a benevolent autocrat or "good father"
Supervisory persons	fewer	more
Salary range	narrow	wide
Privileges and status symbols	are frowned upon	are normal and popular
Respected superiors	age not an issue	older more respected
Manual work	has the same status as office work	is less valued than office work
UNCERTAINTY AVOIDANCE	Weak uncertainty avoidance	Strong uncertainty avoidance
Workplace		
Top managers concern focuses on	strategy	daily operations
Amount of rules	no more than necessary	emotionally needed
Source of decisions	generalists and common sense	experts and technical solutions
Decision-making style	decision process	decision content
New ideas and execution	better at invention, worse at implementation	worse at invention, better at implementation
Workers		
Changes of employer	more	fewer
Length of service	shorter	longer
Hard-working	only when needed	emotional need to be busy and work hard
Time	frame for orientation	valuable like money
Motivation	achievement	security

Table 1: Key differences in work environment along dimensions of national culture 1/2
(based on Hofstede 2005)

Key differences in work environment along the dimensions of national culture 2/2		
INDIVIDUALISM	Collectivist	Individualist
Workplace		
Employer-employee relationship	moral, family-like of groups	labor market contract of individuals
Management bonuses, moving people		
Feedback	direct appraisal of subordinates spoils harmony	honest sharing of feelings is taught
Task	human relationships over tasks	tasks over relationships
Hiring and promotion	in-group matters	based on skills and rules only
Customers	in-group treated better	everyone treated the same
Workers		
Important to employees	training opportunities, good physical conditions, fully use your skills	personal time, freedom to adopt your own approach to the job, challenging job and personal sense of accomplishment
Employees' interest	their in-groups'	their employer's if it coincides with their own
Occupational mobility	lower	higher
MASCULINITY	Feminine	Masculine
Workplace		
Management as ménage	intuition and consensus	decisive and aggressive
Resolution of conflicts	compromise and negotiation	strongest wins
Rewards	equality and needs	equity and performance
Size of organization	smaller appreciated	larger appreciated
Workers		
Important to employees	manager, cooperation, living area, employment security	earnings, recognition, advancement, challenge
Job enrichment	help, social contacts and cooperation	job content and more tasks
Gender and career	optional for both genres	compulsory for men, optional for women
LONG-TERM ORIENTATION	Short-term orientation	Long-term orientation
Focus	bottom line	market position
Importance of profits	this year	10 years from now
Relationship of managers and workers	separate camps psychologically	share the same aspirations
Main work values	freedom, rights, achievement, thinking for oneself	learning, honesty, adaptiveness, accountability, self-discipline
Leisure time	important	not important

Table 2: Key differences in work environment along dimensions of national culture 2/2
(based on Hofstede 2005)

5.3 Discussion: How to apply the dimensions of national culture

Geert Hofstede's theory of national culture dimensions is applied in this study as a frame for approaching the second sub-question of this research and analyzing which are the cultural issues that should be considered when managing a joint venture in a situation where the parent and the joint venture represent different nationalities (Hofstede 2001, 466). Instead of only listing the problematic issues it is valuable to understand what kind of cultural values may be in the background of a certain behavior. Tables listing the practical differences in work environments along each dimension are used to analyze the differences that are experienced by the respondents of this study.

Hofstede's theory has been criticized for offering ready-made stereotypes on different nationalities and thus presenting only a restricted view on culture. Critique may be presented by saying that culture doesn't follow country borders and cultural diversity cannot be captured through surveys (see Barkema & Vermeulen 1997, 860). It can be argued that since Hofstede's data was gathered about 30 years ago it applies to a world that no longer exists (Holden 2002, 34).

Despite the criticism, Hofstede's theory is widely used and can be employed not only to cross-cultural comparisons but also for paradigmatic uses in a wide range of academic disciplines and practical areas (Søndergaard 1994). Also, for the purposes of national comparisons, research based on data gathered over the years of 1966–1994 has provided evidence that the cultural values are stable over time (Barkema & Vermeulen 1997, 846).

It should be reminded that hardly any society's culture can be characterized as authentically representing only the other side of the dimensions. Next, the Russian culture is described along Hofstede's dimensions and the practical difficulties confronted in foreign-Russian joint ventures are discussed.

6 RUSSIAN JOINT VENTURES

In this chapter, the focus is turned towards Finnish-Russian joint ventures by looking at the cultural differences identified to exist between these two countries. After that, experiences of international joint ventures in Russia and the associated managerial challenges and solutions are discussed based on prior research.

Knowledge on Russian and Finnish cultures and on the experienced differences are explored because this provides a reference point against which it is possible to evaluate the empirical results received through this study.

6.1 Russian culture

Geert Hofstede included Finland in his large IBM study and analyzed the country along the four dimensions of national culture (Hofstede 2001, 500). Later on Hofstede has evaluated Finland also along the dimension of long-term orientation. Russia was not included in the actual IBM study, but Hofstede estimated scores for Russia based on literature reviews (Hofstede 2001, 502). Additionally, some research work has been done in Russia based on Hofstede's method. (see Danilova 2007, 86)

Below, in table 3 and figure 6 the scores received by Finland in Hofstede's IBM study as well as Hofstede's estimates for Russia are presented. Likewise, the results of some selective polls in Russia are presented (information is based on Danilova 2007, 88, 90).

Dimension	PDI	UAI	IND	MAS	LTO
Finland					
Scores by G. Hofstede 1967–73	33	59	63	26	41*
Rank among the 54 countries by G. Hofstede, 1967–73	46	31–32	17	47	14*
Russia					
G. Hofstede's indirect estimates, 1988–98	93	95	39	36	n/a
Globe project on managers, 1995–96	77	98	23	n/a	n/a
Danilova et al. research on industrial employees, 2002	28	121	55	2	42
A. Naumov's research on business students, 1995–96	40	68	41	55	59
A. Svetushkina's research on civil pilots, 2002	4	78	67	54	n/a

* based on EMS consumer survey

Table 3: Finland and Russia on Hofstede's dimensions of national culture

PDI = power distance, UAI = uncertainty avoidance, IND = individualism, MAS = masculinity, LTO = long-term orientation

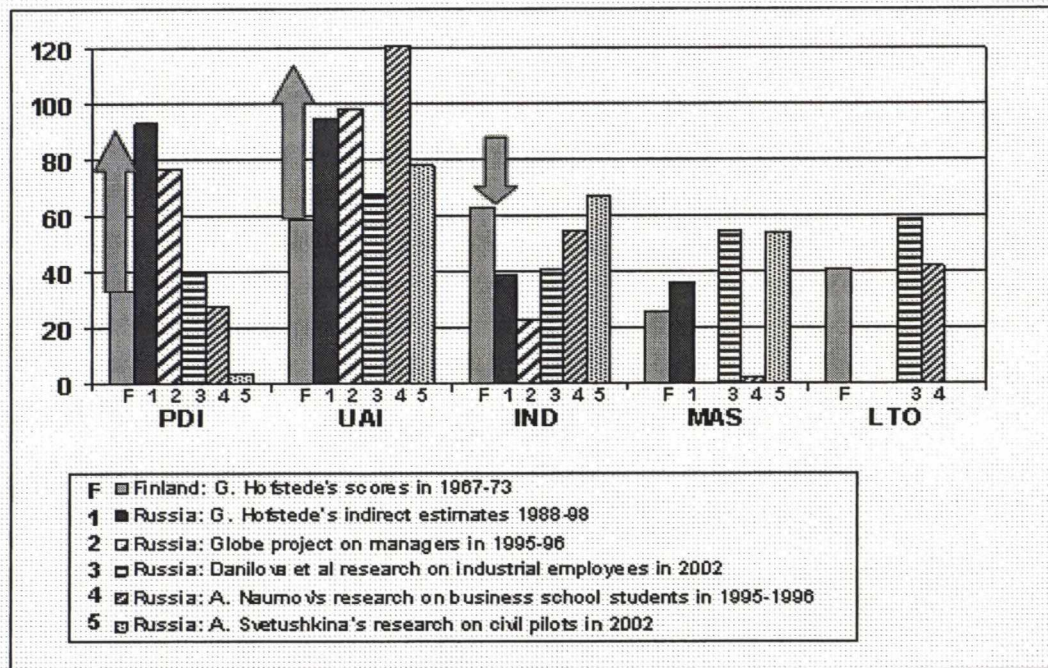


Figure 6: Finland and Russia on Hofstede's dimensions of national culture

PDI = power distance, UAI = uncertainty avoidance, IND = individualism, MAS = masculinity, LTO = long-term orientation

In the above figure scores for Finland are marked with letter F. The scores for Russia are numbered. The wide arrows are added to show more clearly to which direction the Russians seem to differ from the Finns on the basis of these results.

The studies on Russian culture present a variety of scores that differ substantially in some aspects⁵. Also, some of the studies lack some of the dimensions. However, in most of the studies, results on Russia differ from Finland to the same direction as Hofstede's results.

When comparing Finland and Russia along the dimensions, it can be concluded that the biggest differences are on the power distance and uncertainty avoidance scores. In Hofstede's study, Finland was one of the countries with both low power distance and low uncertainty avoidance. Russia's results on these two dimensions were much higher. Additionally, individuality seems to be lower in Russia than in Finland, but actually Finland is quite high on individuality among the different countries included in Hofstede's study. The last two dimensions of national culture show more unclear results. Masculinity may be higher in Russia than in Finland. On long-term orientation Finland's score was quite high, but Russia's result is unclear.

⁵ These differences may be due to different research methods or research samples. Others claim that scores calculated for Russia by Hofstede based on literary sources and expert estimates are incorrect because the descriptions of these sources are stereotypical. The other studies are based on questionnaires, which can be criticized for getting the respondents to answer as they are expected to do. Also the sample size may not be adequately big and random to describe the whole Russian population.

Russian culture along Hofstede's dimensions

Russian culture can be characterized by combining the information gathered using Hofstede's dimensions, publications dealing with Russian culture and mentality and the World Values Survey (presented in Magun 2007).

High power distance

Russia has quite high rating in power distance dimension. In the past Russian organizations used to function so that they would be self-sufficient. This, together with centralized management, has produced hierarchies in Russian corporations. The tasks are divided clearly between management, and employees. All decisions are made by managers and employees only implement them without taking any responsibility for the decisions. This affects also the flow of information; in Russian work environment it is understood that the company's targets and visions should be kept only among the managers and not told to the employees. (Lehto & Salmi 2007, 28, 33, 37.)

The centralized power model creates a combination of authoritarian and anarchistic culture (Lehto & Salmi 2007, 37). How power distance is valued may fluctuate depending on the profession and status of the respondents (Hofstede 1994, 86). It can be said that the power may be expected to be distributed unequally but this is not accepted. The subordinates seem obedient but at the same time they are not familiar with taking responsibility. (Lehto & Salmi 2007, 61.)

Authoritarian cultures with high power distance involve an element of worshipping the leader. Lawrence et al. (1993, 45) claims that: "Russian managers are often strong, personal leaders who practice hands-on, walk-around, face-to-face management. They develop direct bonds of loyalty with employees at all levels. They also practice a unique form of decision making that combines consultation and command." One explanation for the desire for strong leaders is that they are expected to bring protection and prevent chaos (Kets De Vries 2000, 75) – diminish general uncertainty.

High uncertainty avoidance

On Hofstede's dimensions Russia appears to value uncertainty avoidance quite high. Rules and regulations are used to handle uncertainty. However – as Hofstede (2005, 183) also states – in high uncertainty avoidance cultures strict rules are approved of but not necessarily strictly followed. It may be impossible to act according to all the rules and thus there might be a big difference between how things look and how they really are. (Danilova 2007, 100–102.)

It has been argued that due to challenging environmental and economic conditions the biggest strength of Slavic culture of Russia is the ability to adapt to very demanding circumstances

(Lehto & Salmi 2007, 61). However, the wish to avoid uncertainty may lead to conservatism and unwillingness to change anything (Danilova 2007, 102).

The World Values Survey shows that Russians readily accept inconveniences in their work; less convenient working hours and working under pressure. The Finns, on the other hand, would like their work to be easier and more comfortable, on the condition that their work does not change as a consequence. However, Finns are ready to do a lot of work if their efforts are justly rewarded. (Magun 2007, 135.)

Lower individualism

In Danilova's (2007, 99) study the results indicated that Russian employees are not expressly collectivist – as a Westerner would believe due to Russia's communist past – and that this index requires a different interpretation in Russia's case (than that of Hofstede's). It has been said that in Russia work communities are very solid, but which keep distance to the outside world. (Lehto & Salmi 2007, 59–60).

When comparing the values of Russian employees with Finns', it can be seen that Finns value personal issues, such as personal initiative, achievement, responsibility and interesting work far more than Russians (Magun 2007, 135). Collective side of Russians is shown in the means of solving problems, as the people generally expect to find a "wisdom-stone" that at once solves everything (Lehto & Salmi 2007, 33) – rather than everyone trying to think of the solution individually.

Russians often emphasize the importance of personal relations in management. For example, Nordic partners may be criticized for the fact that they only shortly tell the targets and don't keep in touch. (Lehto & Salmi 2007, 28–29) Russians are said not to do business with strangers and they tend to trust more on relationships than on official contracts when doing business (Snaveley et al. 1998, 10). In contracts many issues may be left open so that the top management will have the opportunity to discuss and interpret the agreements (Lehto & Salmi 2007, 28).

Masculinity

Russia's results on masculinity dimension are not that clear but it may be expected that the masculinity is higher in Russia than in Finland. For example, masculinity is shown in the fact that Russians value – more than Finns – the importance of both good pay and general respect towards their job (Magun 2007, 135).

Long-term orientation

Among the dimension of long-term orientation it's not easy to compare Finns and Russian. It has been said that Russians are very patient and used to waiting for what they want (Snaveley et al. 1998, 10). However, it might be that the long-term orientation is "outsourced" to someone

else than the person him-/herself as during the communist era Russians lived in a society that was based on a common, long-term plan (Lehto & Salmi 2007, 33, 59–60). Experiences with joint ventures show that Russians often expect a rapid payback-time for their investment (Szymanski 1998, 8). Visions regarding the future are considered negative – arguably because the past times consisted of many empty promises (Lehto & Salmi 2007, 33).

6.2 Experienced problems

Prior research provides information on problematic issues in the area of management and relationships within foreign-Russian joint ventures which may be useful in the case of Finnish companies as well. Research has found extensive cultural differences in foreign-Russian joint ventures (Hyder et al. 2003, 230–231). Cultural issues are argued to have a key impact on the operational areas, such as pricing, investments, quality control, cost analysis or organizational structures. When the operational business practices differ, they cause difficulties in managing the partnership. (Ariño et al. 1997, 28–29.)

Cattaneo (1992, 69) summarizes that conflicts in the partnership are due to differences in three areas: the interpretations of basic business concepts, management style, and the roles of partners.

Basic business concepts

The different interpretations of basic business concepts may be concretized in the orientation towards targets and time. It has been noticed that Russians do not emphasize profit making as much as the foreigners. Rather they saw complying with production standards and employing people as important. (Ariño et al. 1997, 28–30.) Also, it has been experienced that emphasizing customer satisfaction and rewarding employees for good results – that are much used in Western companies – do not have the desired effect on people's motivation in Russia (Mäkinen 2005, 67–68). Russian partners placed more emphasis on short-term goals within Swedish-Russian joint ventures rather than on the foreign company's targeted long-term benefits (Hyder et al. 2003, 226).

Many Russian parties have no prior experience of doing business with foreigners or abroad (Szymanski 1998, 8). The foreign partner may have considered this an example of weak business know-how. On the other hand, Russians have experienced as problematic that, for example Finnish, partners may not know enough of Russian business environment. (Karhunen et al. 2003, 66.)

Management style

In the area of management style, the major differences are experienced in decision-making and problem-solving.

As regards decision-making, foreign parties have found problematic that in Russia they are faced with situation where there is no interaction between the employees and management as the managers make all the decisions. Decisions have to be implemented without any modifications, even if this would have been beneficial for the company. (Hyder et al. 2003, 230–231.) Decision-making is problematic also because Finns are noticed to be slower than Russians in making radical decision. However, the Russian environment might require fast actions (Mäkinen 2005, 70). Also, Finnish contracts and terms have been experienced as being too detailed by the Russians (Karhunen et al. 2003, 69).

In problem-solving, the Russian employees have been noticed to be passive and not acting innovatively in a way that would have solved problems (Hyder et al. 2003, 230–231). This was thought to be caused by the Russian authoritarian management culture. Employees are used to taking orders and fulfilling them, but they don't initiatively look at the future or evaluate their actions' impact on others, but only concentrate on their own job. (Karhunen et al. 2003, 69.)

Roles

In some foreign-Russian joint ventures the foreigners have felt that the local partners have not been of enough assistance (Hyder et al. 2003, 263). A Finnish company, Nokian Renkaat, ran into problems in a joint venture arguably because it had a 50–50 ownership and a clear leader was missing (Mäkinen 2005, 32). A Finnish window manufacturer, Tiivi, faced problems when the Russian general manager changed (ibid., 69).

From the Russian side, the reported problems have related to excessive limitation of the joint venture's autonomy. Additionally, Finnish partner's arrogant attitude as well as general suspiciousness towards Russia and the Russian partner has been reported to cause problems in joint ventures (Karhunen et al. 2003, 66).

6.3 Suggestions for best practices

Several researchers – especially Carl Fey⁶ – have tried to draw-up lists that define, in a practical manner, the key issues needed in order to achieve good results in a Russian joint venture. As shortly explained in chapter 3 the performance of joint ventures can be measured in alternative ways. Thus, also the lists of success factors may differ as a consequence.

The collected key issues serve the purpose of this study, and include only those that directly relate to management, and thus are “in the hands” of the partners. The factors that are dependent on the field or industry of operations or the environment are excluded. Some of the factors identified are presented in table 4 on page 42.

When the key issues and arguments that relate to success factors or to best practices in Russia are summarized, it can be said that three factors become central: common goals, giving power to the local management and employees, and the good relationship between the parent and the joint venture.

Common goals

It is important that the parties of the joint venture share common goals and a common attitude towards the project (Ariño et al. 1997, 31–31). The importance of common goals is brought up in statements such as: align with parent's objectives, consider the gain of everyone, ensure everyone's commitment (Fey & Beamish 1999), create “one company” spirit, team orientation and customer focus (Fey et al. 1999) and attain a common understanding of each parent's contribution and ensure that both parent's are involved (Fey 1996).

In one study, the Finns suggested following measures as solutions to situations where the Russian partner is not taking enough responsibility and has insufficient business skills: the adoption of an authoritarian attitude and control, change the management or increase the commitment of the management (Karhunen et al. 2003, 90). Only the last one of these means is in-line with the next area of success factors – empowerment of the locals.

Power to the locals

It has been argued that Russia is a country that has been slow to adapt to the conditions of market economy and that due to this factor it would be best for foreign companies to delegate local matters to local partners (Hyder et al. 2003, 267). Successful joint ventures put the local Russian managers in charge and delegate radically, because Russians know more about the markets and they may be perceived more positively by other Russians that culturally value the personal contacts in business. It has been suggested that in order to ensure Russian

⁶ Carl Fey is currently an associate dean of research at the Stockholm School of Economics Russia in St. Petersburg, Russia.

commitment to the established goals, it is a good idea to place also the majority ownership in Russian hands. (Lawrence et al. 1993, 44–46.)

Russian managers have the skills to exercise effective leadership in their own country (see Kets De Vries 2000, 77–79). Thus, the successful joint ventures have generally encouraged Russians to use their familiar management methods and have only gradually and selectively introduced Western practices (Lawrence et al. 1993, 45). Along the path of introducing the Western manners, it has been argued that the strategy should be explained and shared with all the employees (Fey et al. 1999). Karhunen (et al. 2003, 96) found that Finns more often expected that responsibilities should not be given if the employees had no initiative. However, one Finnish company and Russians in general saw that the opposite is true – the employees should be trusted and they should be given freedom to solve problems.

The opinion of the Russians themselves supports the argument for empowerment. In Szymanski's study (1998, 9), the joint ventures that were considered being successful in the eyes of the Russians were the ones in which the Russians had a bigger share of management responsibility than in the ones in which the foreign partners made the larger contribution management. Russians see that utilizing the Russian partner's relationships and letting them take responsibility for the operations serves the success of the joint venture (Karhunen et al. 2003, 90).

Good relationship

It has been argued that, all in all the success factors are issues such as trust, communication and commitment – things that are related to internal relationship and the attributes of the partners that support good co-operation (Katsioloudes et al. 2007, 149). The good relationship is argued to build upon following processes: ensuring adequate communication, developing procedures for conflict resolution, expressing and developing understanding for other's view and culture (Fey & Beamish 1999), paying attention to coordination, integration and implicit business behavior norms (Fey 1999) as well as ensuring trust (Fey 1996).

Russians have emphasized the importance of building and sustaining trust as well as strengthening the personal relationships and visiting each other as means of solving problems with Finns (Karhunen et al. 2003, 88). In building trust, the personal qualities of the executives are essential (Ariño et al. 1997, 31–31).

Finally, it has been argued that one of the success factors is that enough attention is paid to partner-related criteria – such as reputation, potential to maintain a continuing and stable relationship, professionalism, honesty and seriousness – during the stage when the partner for the joint venture is being selected. This has been claimed to increase the chances for a successful partnership and to make management easier (Ariño et al. 1997, 31–31).

Table of best practices in managing foreign-Russian joint ventures
<p>Katsioloudes et al. (2007) Foreigners and Russians of joint ventures in oil and gas industry: What are the key success factors?</p> <ul style="list-style-type: none"> • Mostly "human" factors that related to internal issues of the joint venture and attributes of the partners, such as: commitment, trust, pre-venture planning, synergy gains, choice of partner, efficient integration, balance of power, communication, negotiation and corporate and national cultures
<p>Fey & Beamish (1999) 40 general managers from Russian joint ventures: How to minimize conflict's negative impact or even contributing some positive result?</p> <ul style="list-style-type: none"> • Align parents' objectives • Ensure adequate communication between involved parties • Develop standard procedures for resolving conflict • Don't only try to maximize your gain, but consider the gain of all involved parties • Express understanding of the other party's view • Empower locally-based foreign managers to make most decisions • Develop high tolerance and understanding for different national cultures • Ensure all parties are committed • Discuss ways to avoid future conflict
<p>Fey, Nordahl and Zätterström (1999) Top-performing Swedish joint ventures in Russia: What do you consider to be your success factors?</p> <ul style="list-style-type: none"> • Creating a one-company spirit • Empowerment • Training • Team orientation • Coordination and integration • Implicit business behavior norms • Customer focus • Strategy to all employees
<p>Fey (1996) Two successful and two unsuccessful joint ventures: What are the key success factors that differentiate the companies?</p> <ul style="list-style-type: none"> • Ensure that trust exists between the joint venture and its parent • Attain a common understanding of each parent's contribution to the joint venture • Persuade workers that they are empowered • Ensure that both parents are involved in the joint venture for the long term

Table 4: Best practices in Russian joint ventures identified in research

6.4 Discussion: What to expect?

The information regarding Russian culture as well as the experienced problems and suggested success factors for foreign-Russian joint ventures can be summarized as follows: The biggest differences between Finnish and Russian cultures are in the areas of power distance, uncertainty avoidance and individualism. Problems have been experienced in joint ventures because the understanding of the basic business concepts differs, the management styles are different and the roles of the parties are unclear. Finally, it has been identified that prerequisites for successful co-operation are: that goals of the joint venture are clear, the relationship with the parties is good and the locals are empowered.

Analyzing the above information the different elements seem to have clear connections with each other.

Problematic areas and the main issues for success seem to go hand in hand. Problems related to understanding of the basic business concepts lead to considering clear definition of goals as a success factor. Problems with different management styles emphasize the importance of good relationship between the parties. As the roles of the parties may be unclear, a solution might be that the locals are given as much power as possible.

It can be argued that it is possible to see how the above problems are affected by the Russian national culture that is characterized with high power distance and uncertainty avoidance as well as a more extensive collectivism than in the Western countries that more often employ individualistic values.

Finally, the dimensions of parent control – extent, focus and mechanisms – can be evaluated based on the information in the following manner.

Extent of control that allows the empowerment

Fey (1996, 358) argues that the importance of empowerment seems to be unique to the Russian environment, because it has not been identified in prior literature. Considering the high power distance and high uncertainty avoidance in Russia, the statement is at the same time predictable and surprising. In a society with high power distance the top managers are used to having power and thus they should have it in the joint venture situation as well. However, the research also suggests the empowerment of the other employees, which might be new in a Russian organization.

It can be concluded that as empowerment of the local partner and manager is considered to be a success factor for foreign-Russian joint ventures, the extent of parent control should be quite low.

Focus on common targets

It is possible to claim that high power distance, uncertainty avoidance and collectivism of Russian culture are related to problems in the understanding of "basic business concepts"; namely, what is the orientation towards targets and time. In societies with high power distance and collectivism the average employee is not that keen to trying their hardest for personal benefits or customer's good. When the uncertainty avoidance is high, attention is directed more towards short-term benefits than long-term strategy.

This findings lead to the conclusion that the focus of control should be directed to generating a common understanding of the targets.

Mechanisms that match management styles and enhance relationship

Thinking about the problems of different kinds of management styles, it can be seen that the high power distance and high uncertainty avoidance are affecting also these. These values lead to situation where the top managers make all the decisions and the employees are quite passive in problem-solving – issues that were reported as problematic in foreign-Russian joint ventures. Additionally, the high uncertainty avoidance affects the decision-making so that the Russian managers would prefer fast solutions while – for example – the Finns are more willing to spend more time to think about the best possible solution.

Building a good relationship between the parties is seen to be dependent on personal attributes and relationships of the individual management – this can be seen of extreme importance due to the collectivist side of the Russian culture. Fey (1996, 358) states that trust between the parties seems to make the biggest difference between poor and good performance. The importance of trust is quite understandable, especially in a collectivistic society that relies a lot on personal relations.

Evaluating the best mechanisms of control to be used in joint ventures operating in Russia, it is possible to claim that it is essential to use mechanisms that support the good relationship between the parties.

It must be noticed that some of the studies that have found differences in the basic assumptions on how to do business are quite old. Russia has been claimed to be a slow adapter to a market economy among the former communist countries of Eastern and Central Europe (Hyder et al. 2003, 263). However, for example Salmi (1996, 43) argues that not all of the old ways are functioning anymore; for example the centralization of decision-making is breaking down. Karhunen et al. (2003, 94) found out also that the newly-formed companies differ from those that had been in operation since the socialist era. Only the old ones announced that they aim to be "as Russian as possible" and avoid the Western image.

7 SUMMARY

In the theoretical framework, guided by the research question:

How should a Finnish parent manage joint ventures in Russia?

the concept of joint venture has been discussed, options available for the parent company on deciding how to control the joint venture have been identified and the possible sources of cultural differences have been listed based on Geert Hofstede's studies. Also, information on Russian culture in particular and on managing Russian joint ventures has been gathered to orientate to the empirical study and give a reference point to its results.

The key issues of the theoretical framework are summarized below and the key elements presented in figure 7 on page 46.

- ***Joint venture – established to serve certain targets***

Joint ventures can serve different kinds of strategic purposes and their management organization can consequently be different. The stages of development of joint ventures are also different from, for example, wholly-owned subsidiaries.

When thinking of the general of question "*How should a Finnish parent manage joint ventures?*", the targets set for the venture and its management should be considered. The "good management" must always be *understood relative to the targets* that are expected to be reached.

- ***Managing joint venture – choices along three dimensions***

The essential element in managing joint venture is that the decision-making power is distributed among the parents and the joint venture. Taking the view of the parent and looking at the joint venture in the stage of the ongoing operations brings the *internal co-operation* of the representatives of the joint venture and the parent in focus.

This study is built on the idea that this split in decision-making – together with the crucial role of especially the joint venture manager – causes an agency problem; the parent is dependent on the joint venture managers. *Due to this, it is argued in this study that the parent should exercise control in a manner that is considered suitable for the representatives of the joint venture.*

Thinking of the question "*What managerial means should be used by the parent?*", it is expected that the parent can make decisions on how much, on which issues and how it controls the joint venture – in other words over the aspects of *extent, focus and mechanisms of control*.

- **National cultures – different valuations along five dimensions**

It is concluded that national culture affects the values and actions of the individuals. How a person experiences the managerial interaction is affected by the values of the surrounding culture. *Thus it is concluded that the parent should manage the international joint venture by using means that are coherent with the culture surrounding the joint venture representatives.*

Thinking of the question “How should cultural aspects be considered in the management?”, it is claimed that the parent should understand how the five dimensions of national culture; namely, *power distance, uncertainty avoidance, individualism, masculinity and long-term orientation*, affect the individuals of the other culture. In case of Finnish-Russian joint ventures it is expected that the first three are the most essential ones.

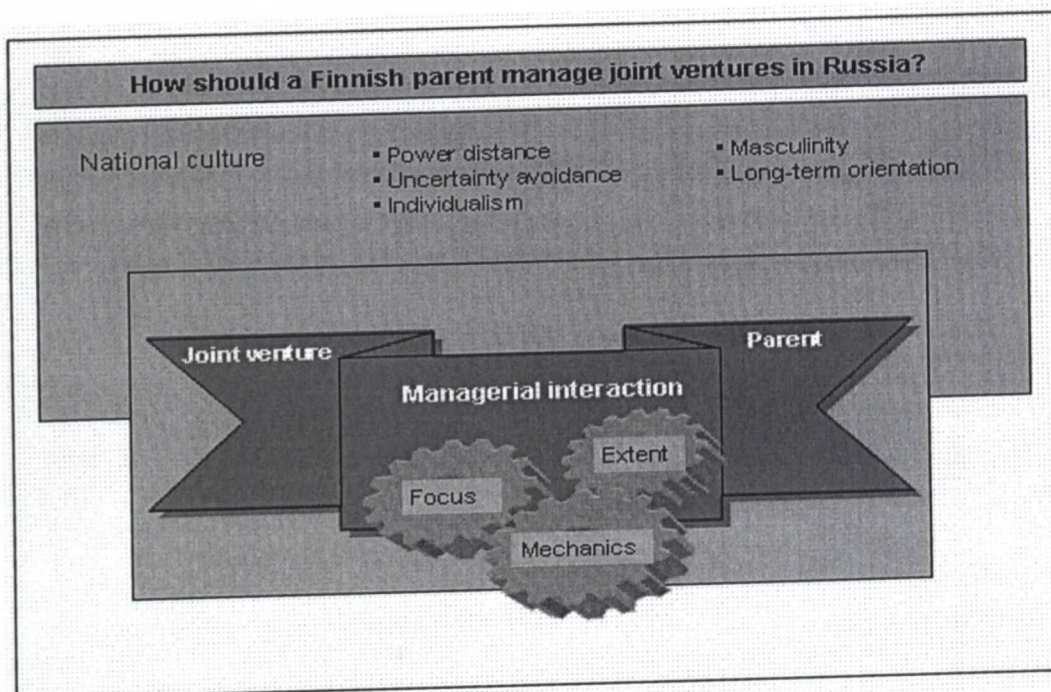


Figure 7: Summary of the elements of the theoretical framework

PART II – EMPIRICAL RESEARCH

8 SCOPE OF EMPIRIA

The empirical part of this study is carried out within YIT Corporation's joint ventures operating in Russia.

In this chapter, the targets and methods of the empirical part are explained to give a general picture of the process. Also, YIT Corporation's joint ventures are presented.

8.1 Research strategy

Based on the theoretical foundations of this study the questions sought through the empirical study can be explained in more detail as follows.

It is understood that the means should always be evaluated in relation to the general situation: targets set for the joint venture. Secondly, it is valuable to understand the role of the joint venture manager when deciding how to control the joint venture. In YIT's case the joint venture general directors are also owners making this issue even more important.

Thus to answer the research question of this study it is needed to provide background information through finding out:

- What kinds of targets are expected to be reached through the parent's involvement?
- How do the joint venture managers see their role in the co-operation with the parent?

The basic assumption in this study is – in line with agency theory – that the parent should manage the joint venture by using means that suit the joint venture representatives. Due this the main research question of this study:

How should a Finnish parent manage joint ventures in Russia?

is answered though the two sub-questions by exploring:

- What are the practices of interaction between the parent and the joint venture that are preferred and requested by the joint venture representatives?

The three prongs of control by which the parent influences the managerial practices of the joint venture are 1) the extent, 2) the focus, and 3) the mechanisms of control. The first sub-question of this research:

What kind of managerial means should be used?

is answered by exploring the following questions:

- How do the joint venture representatives express their views in respect to the extent of control?
- What is considered desirable and what undesirable by the joint venture representatives as regards to the focus and mechanisms of control?

National cultures differ in their values along five dimensions. It is concluded that culture has an effect on how people value different things and what they see as desirable in management. Culturally considerate parent should take the cultural differences into account when evaluating how it should manage the joint venture in Russia. The second sub-question of this study:

How should cultural aspects be considered in management?

is answered by exploring the following questions:

- What differences and similarities are experienced by the Finnish and Russian joint venture representatives?

These results are then interpreted using Hofstede's dimensions of national culture.

This empirical part is carried out as qualitative research. The approach is suitable for the research questions which aim to provide knowledge of the relevant phenomena, instead of, for example, elucidating causal relations. Culture is not perceived as an explanatory issue but as something to be taken into account in management. The purpose is to describe rather than to explain. The purpose of the study is not to provide generalization to a larger population but rather to develop a deeper understanding of the experiences of the participants selected for the study (Maykut & Morehouse 1995, 44).

When the research strategy is descriptive the appropriate means of data collection are e.g. interviewing, questionnaire and participant observation (Marshall & Rossman 1995, 41). In this study data is gathered through a questionnaire and interviews as well as by observing discussions at a two-day seminar. The questionnaire is used to grasp a holistic picture of each field of interest. After that the interviews are used to deepen the understanding in each field and to get information specifically on the joint venture managers' experiences. The output of the discussions is used to evaluate and explain the results further.

The results are presented by using the content analysis method where the texts are broken down into small elements and after that the common themes are identified.

In the Conclusions the results gathered in the empirical research are used to answer the main research question and the two sub-questions of this study by using the theoretical concepts introduced in the prior part of this study.

The execution of the empirical research is presented in figure 8.

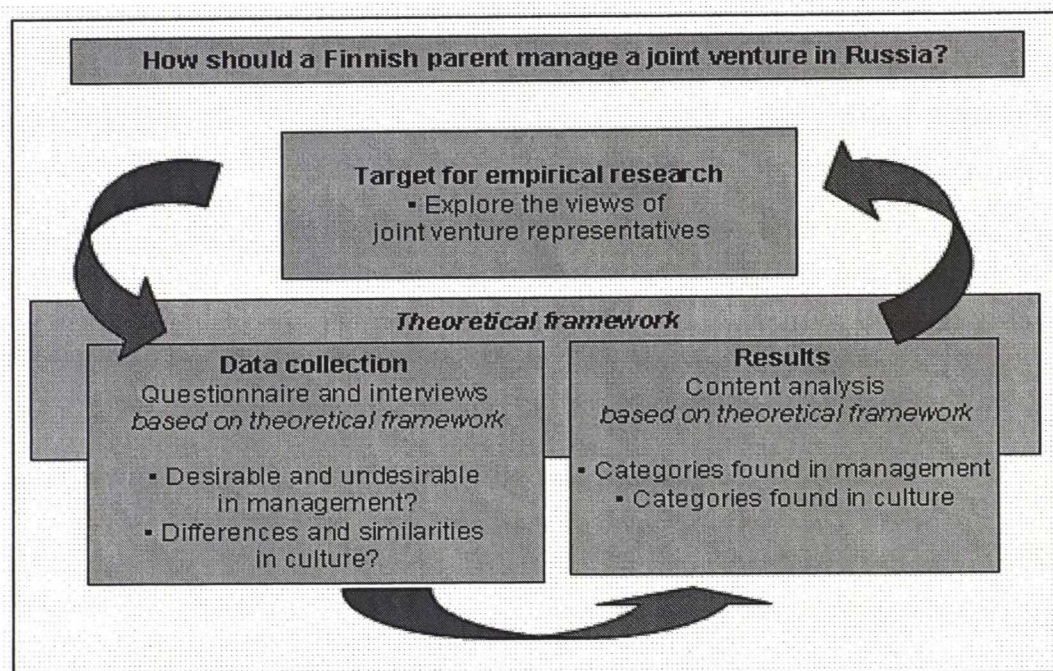


Figure 8: Process of empirical research

8.2 Case company

YIT Corporation (see www.yitgroup.com) is a leading service company in building systems, construction services and services for industry in Northern Europe. It operates in Nordic countries, Baltic countries and Russia. In 2007 its revenue amounted to EUR 3.7 billion and the group employed over 23,000 people. YIT Corporation's organization and how the joint ventures are located in the organization are presented in Appendix 1.

Russia plays an important role in the company's strategy. YIT has set itself the goal of increasing revenue in Russia by an average of 50 per cent annually during the period of 2006–2009. All of YIT's business segments operate in Russia, but the majority of the Russian operations are in the construction sector – within the International Construction Services business segment. In January–March 2008, 12 per cent of the group's revenue came from Russia and at the end of March nearly 3,000 people were in the group's employ in Russia.

Corporate venturing usually seeks either to enter new markets or to sell significantly different products in its existing markets (Roberts 1980, 134). During the recent years, YIT has used joint ventures in order to widen its presence in the Russian market. In its strategy, the company states that its aim is to further expand its presence in Russia by establishing itself through joint ventures in Russian cities with more than one million inhabitants. Another strategic target of YIT Corporation is to expand its presence into new Central Eastern European countries, for instance, by establishing joint ventures.

Currently YIT is one of the largest foreign-based housing developers in Russia. It operates in seven different areas through a subsidiary and four joint ventures. In St Petersburg and Kazan YIT operates through a fully-owned subsidiary. In Moscow Oblast (the cities surrounding Moscow), Moscow, Yekaterinburg and Rostov-on-Don YIT has joint ventures with local partners. The joint venture company of Moscow Oblast also operates in the city of Yaroslavl.

The four joint ventures have been established respectively in 2003, 2005, 2006 and 2007. The joint ventures are formed by YIT and Russian private individuals who have long experience in the construction industry and have formerly acted as independent entrepreneurs. YIT holds the majority ownership in the joint ventures, and the minority share is distributed among the different individuals in each of the joint ventures. One of the minority owners acts as its manager i.e. as general director that is the highest director in Russian companies. The other owners may serve in leading positions within the joint venture or they may be solely owners that do not work in the company. Due to the group's growth targets in Russia the joint ventures are directed towards fast growth in residential construction – of which YIT has long experience in Finland and St Petersburg. Depending on the agreements with each joint venture, YIT also has the possibility to increase its share of the ownership as the operations develop.

The four joint ventures are:

YIT Moskovia

- Established at the end of 2003 with name ZAO YIT Ramenje
- General director: Valeri Kim
- YIT's current holding is over 80 per cent (initial holding 51 per cent)
- Operates in 11 cities surrounding Moscow (Moscow oblast, population 6.5 million), in Moscow (population about 11 million) and in Yaroslavl (population 0.7 million)

YIT Citystroi

- Established in April 2005
- General director: Viktor Luha
- YIT's holding 65 per cent, Russian private shareholders 35 per cent
- Operates in Moscow (population about 11 million)

YIT Uralstroi

- Established in October 2006
- General director: Feodor Voropaev
- YIT's holding 71 per cent, Russian private shareholders 29 per cent
- Operates in Yekaterinburg (fifth largest city in Russia, population 1.3 million)

YIT Don

- Established in June 2007
- General director: Viktor Vasishev
- YIT's holding 60 per cent, Russian private shareholders 40 per cent
- Operates in Rostov-on-Don (population 1.1 million)

9 METHODOLOGY

In this chapter the methodology used in collecting and analyzing the data is explained and the chosen approach is evaluated in some detail.

9.1 Methods of data collection

The data was collected in March–April 2008. Three methods were used; an on-line questionnaire with open questions, semi-structured interviews and observing seminar discussions.

The methods were chosen so that they provide sufficient information in order to answer the research questions and were practical to execute. It has been claimed that if research concerns the knowledge, facts, opinions or attitudes of individuals, oral interviews and written questionnaire are the most suitable data collection methods (van der Velde et al. 2004, 102). The questionnaire provided an effective way to tackle the challenges related to geographical locations and language barriers and allowed a wider collection of experiences. The interviews on the other hand were essential for the understanding of joint venture managers' position and role and they focused only on these individuals. Discussions were followed at a seminar, during which the interviews were also conducted, and the debates were used to further understand some of the topics handled in this study.

The questionnaire covered all of the four joint ventures. It was sent to selected Finnish and Russian persons that are in contact with YIT Corporation. The interviews covered all of the general directors of the joint ventures. The seminar discussions included people that were partly the same as the questionnaire respondents and partly others.

Outline of the questionnaire is presented at Appendix 2 and list of the interview questions in Appendix 3.

9.1.1 Questionnaire

The questionnaire was used to grasp a holistic picture of the views of the joint venture representatives regarding 1) the three dimensions of parent control: extent, focus and mechanisms, 2) the targets of parental involvement as well as 3) their experiences of cultural differences and similarities.

Respondents

The questionnaire was sent to a total of 20 Finnish and Russian persons who are regularly in contact with the Finnish parties of YIT Corporation. The recipients included the general directors of the joint ventures as well as people working with accounting, development and sales. The respondents were chosen together with YIT managers who have long experience in YIT's Russian operations.

The questionnaire was returned by a total of 13 persons of whom 9 were Finns and 4 Russians. The responses were quite evenly distributed among YIT's different joint ventures. Without one exception all of the respondents were males. Their age varied from 28 to 53 years and they had worked for their current employer from under 1 year to 19 years. The description of the questionnaire respondents is presented in Appendix 4.

Cover letters

The cover letters were designed carefully (see van der Velde et al. 2004, 134–135). The respondents were approached through e-mail which explained that the purpose of the questionnaire was to gather information that would help YIT to know how it should be involved in the joint ventures' activities. It also presented by whom the research was carried out. The cover letter stressed the importance of each respondent's answers. It shortly explained the content of the questionnaire and informed how long the answering was expected to take (10–15 minutes). It was mentioned that the answers would be treated anonymously and that the background information would not be connected with the answers. The respondents were notified that they would have the possibility to receive a copy of the finalized report and they were thanked for their contribution already beforehand. Response time was first about two weeks. After that a reminder letter was sent and another week was given to fill-in the questionnaire. When the time frame ended the respondents were informed of this.

Content

When designing the questionnaire, attention was paid to the sequencing of the questions, to the language that was used, as well as to the layout (van der Velde et al. 2004, 122–123). The questionnaire consisted of seven open questions. Open questions are often used in explorative research. They give the respondents complete freedom to formulate an answer as they do not offer any standard answer options. While completing the questionnaire, the respondent can tell "their story". This may prevent the respondents from feeling frustrated and provides the researcher a lot of information. (van der Velde et al. 2004, 114.) Additionally, the questionnaire offered an opportunity for the respondents to give general feedback and thoughts regarding the themes of the questionnaire. Filling the questionnaire involved also some background information of the respondents.

The open questions covered the themes of extent, focus and mechanisms of parent control as well as the differences experienced to exist between Finns and Russians. The questions were designed to collect the desires of the respondents regarding the ways of operation they would consider recommendable and not recommendable. Only in case of extent of control was the question directed towards the current situation because it was expected that it would have been difficult to answer if spoken hypothetically. In respect to all of the dimensions of control the respondents were asked to give reasons for why they felt as they did. By asking "why" the questionnaire could provide information on what the respondents saw as the targets of the parent's involvement.

When the cultural similarities and differences were asked the questions were clearly targeted towards finding out the respondents actual experiences. This was done because the aim was to find out real and practical issues in which culture could cause conflicts or in which cultural similarities might be used to strengthen the relationship.

Questions were drafted in a way that would encourage the respondents to give their own opinion instead of giving answers that would be generally acceptable or expectable. In order to broaden the respondents thinking on the issues, some examples were given in respect of the focus and mechanisms of control.

As background information the respondents were asked to state the organization they represented, their work experience in the company, age and sex. These were asked in order to describe the group of respondents and evaluate how experienced the respondents were in joint venture operations and in working with Finnish and Russian cultures.

Layout and language

The questionnaire was carried out as an on-line questionnaire. Compared to a paper questionnaire, an on-line questionnaire is quicker to execute and supposedly easier for the respondents to answer. The layout of the questionnaire was designed so that the different themes had their own page. The aim was to make the questionnaire easy to follow and understand. Additionally, the respondents were constantly aware of the number of unanswered questions and could, in that sense, trust that the time-estimate given for the filling of the questionnaire would not be exceeded.

Instead of using the word "control" words "participation" and phrases "extent and focus of involvement" and "ways of interaction" were used in the questionnaire because they described better the ways in which the interaction between the parent and the joint venture is experienced – and because they made the questions easier to answer than the concept of "control" which has negative and demanding connotations to it.

The questionnaire was drafted in Finnish and then translated into Russian by a YIT representative who was familiar with the topic of this study. The questionnaire was beforehand

discussed with a number of different persons of whom some were YIT employees and some people not involved with YIT or joint ventures. This was designed to clarify whether the questions presented were easily understandable.

9.1.2 Interviews

Interviews were used to deepen the understanding of the managerial and cultural issues and to get information specifically on the joint venture managers' experiences. The interviews were carried out after the questionnaire data had been received. They were carried out in April 2008 during a two-day seminar in Moscow with all four of the YIT joint venture general directors, each of them lasting approximately 30 minutes. A Russian-Finnish interpreter was used in the interviews and all of the interviews were recorded and afterwards transferred into written form.

Questions of the interviews consisted partly of the same questions that were presented in the on-line questionnaire and partly of questions that related more specifically to the role of the general director; e.g. how they perceived their role, generally or towards the personnel, to have changed during the co-operation with YIT. The questions were drafted in Finnish and then translated into Russian. They were sent to the general directors and to the interpreter beforehand. The interviews were semi-structured which means that there was an interview outline with previously formulated questions, but also flexibility to go more deeply into important matters (van der Velde et al. 2004, 105). The interviews covered all the questions presented in the interview outline and in some cases some additional questions.

9.1.3 Seminar discussions

Attendance to a two-day seminar in Moscow on April 14–16 was also used as a method for collecting data. The purpose of this method was to shed more light on the various nuances of the data received through the questionnaire and interviews.

The seminar handled topics related to the managerial challenges of the venture managers as well as cultural differences between Finland and Russia. The attendants performed group assignments on the future challenges of the managers and had an opportunity to give their comments on the national culture differences.

The seminar involved all of the four joint Russian venture general directors as well as Finns, some of whom had responded to the questionnaire. All of the discussions and presentations were translated by an interpreter to Finnish or Russian depending on the original language.

9.2 Method of analysis

Qualitative research seeks patterns that come out of or emerge from the data (Maykut & Morehouse 1995, 13). Data analysis is the process by which order, structure and meaning is brought to the mass of collected data (Marshall & Rossman 1995, 111).

The data received through the questionnaire and interviews was analyzed by employing the method of content analysis. First the descriptive data was summarized by organizing it under different headings and after that by generating categories, themes and patterns found in the data. Finally, it was linked to more general theoretical constructs (Marshall & Rossman 1995, 113, 117).

In more detail, the process of analyzing the data through content analysis proceeded as follows:

- 1) The data was first divided into pieces by separating all the *elements* found in it.

In case of data that related to managerial means the content was grouped under different headings depending on whether it expressed the targets, the position of the general director or extent, focus or mechanism of control. In case of the latter two, the positive and negative features were separated under their own headings.

Cultural data was placed under two headings: experienced similarities and differences.

- 2) After all the meanings were placed under the above mentioned headings different they were grouped to different *categories* according to the common *themes* found in the data.

For example:

Answer to question 4: "Constant contacts with the people from the group (1). It provides an opportunity to share experiences (2), to get familiar with the details of the group's requirements (3). It is desirable to reduce the amount of information requested by the group (4). It takes a lot of time and detracts from working on problems that have a direct impact on enterprise activities (5)."

Answer to question 5: "Correspondence (6), information exchange among experts (7), company expert visits to YIT or collective events (8), it takes too long to resolve problems (9) or communication has a general, unspecific nature (10)."

All the elements found in the above two quotations are underlined and marked with their own number. These elements would be placed under different headings in the following manner:

1 -> good mechanisms

2, 3 -> targets

4, 5, 6, 7, 8, 9, 10-> not good mechanisms

Then it could be identified that meanings 5 and 9 represent common theme – they both express that mechanisms that take a lot of the joint venture representatives' time are not good.

And for example in the case of comment regarding cultural differences:

"In Russian organization power is strongly centered on the top of the organization (11). For example, a project manager has a lot less power than in Finland (12), but also the willingness and abilities of the project manager to take responsibility is lower than his power (13)."

The underlined meanings would be placed under heading Cultural differences. Then it could be identified that 11 and 13 represent the division of power and responsibilities and number 12 to differences in the tasks of certain professions.

The data provided by the questionnaire was analyzed on the basis of the English translation of Russian answers and the Finnish originals. The data provided in the interviews was analyzed on the basis of the Finnish translations that were presented by the interpreter and transferred into written form.

The data gathered through the questionnaire was handled anonymously; the background information of the respondents was separated from the answers. However, the data was handled so that nationalities could be seen at all times in order to avoid that conclusions would be drawn by emphasizing ideas presented only by the other nationality.

- 3) Empirical results were presented by listing the different theme categories under each heading and explaining the content of each of them. The results were presented in a way that expressed the guidelines for the parent. Additionally some quotations of the questionnaire respondents and the interviewees were presented to help the reader to better understand the ideas.
- 4) To connect the empirical findings with the theoretical framework of this study, the categories and notions presented in the empirical results were further analyzed by using the concepts and terminology of the theoretical framework. These conclusions were presented in the last part of this study.

The empirical findings are summarized in the results chapter and after that interpreted in the conclusions chapter. (see van der Velde et al. 2004, 195). The process of analysis as well as the presentation of the results and conclusions is visualized in figure 9.

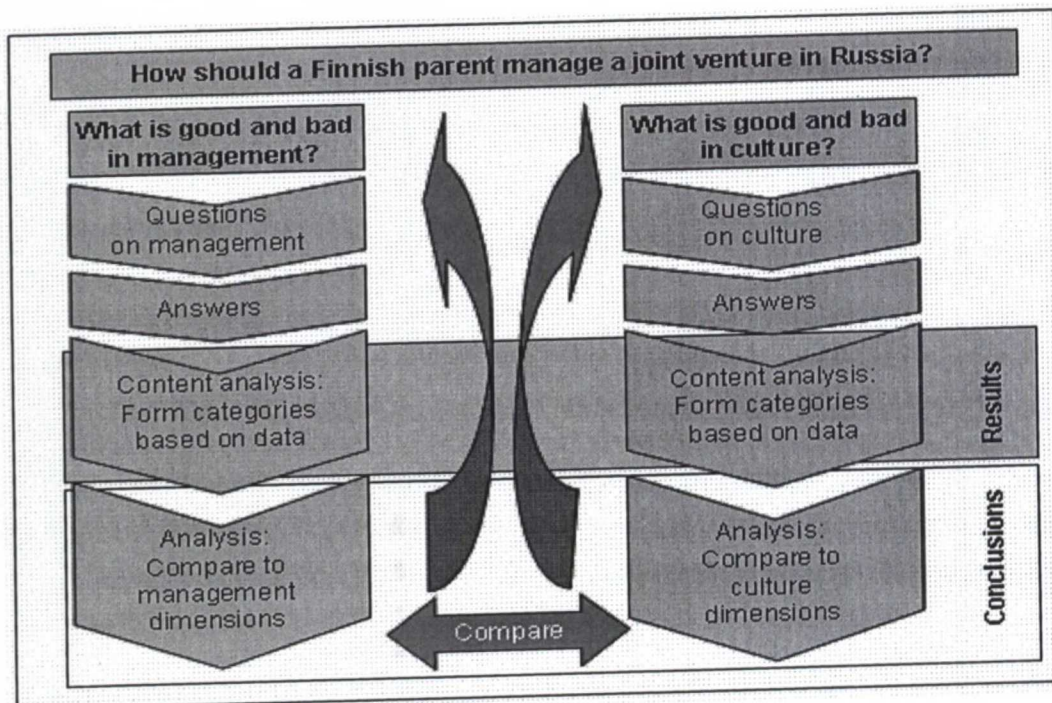


Figure 9: Presentation of results and analysis

9.3 Evaluation of the methodology

Qualitative research can be evaluated by analyzing the significance of the data from social and cultural viewpoints and by asking whether the amount and coverage of the data is sufficient. The situation of creating the data and the impact of the researcher on it must be taken into account. Also, it is important that the analysis of the data is presented in a way that it can be evaluated and repeated. (Mäkelä 1990, 48–55.) Next, the relevance of the data and its collection and analysis are evaluated including the above considerations.

Relevance of the data

Coverage of the data means that the researcher doesn't base the conclusions on random samples. It is critical to consider beforehand how much data is possible to go through and how to make the data manageable. (Mäkelä 1990, 48–55.) In this study, the amount of possible respondents was quite limited as there are not many Finns working in the YIT Corporation's joint ventures and on the other hand only few of the Russians have regular contacts with YIT. It can be said that the questionnaire was sent to all relevant respondents and through the

questionnaire and interviews answers were received from a sufficient number of people when the generalization of the results within YIT is considered. The coverage of the data was also sufficient, because only one respondent left one of the questions unanswered and the answers were quite wordy. The different questionnaire and interview answers contained similar information, which arguably means that the amount of data was sufficient in respect to the questions that were presented in this study.

Considering the use of the results outside YIT it can be argued that keeping in mind the nature of the joint ventures – their field of business, targets and size – the data is useful for other companies as well. The fact that the results were gathered from four different joint ventures makes the sample interesting and diminishes possibility of biased results.

In respect of the background information that was asked in the questionnaire, it can afterwards be seen that instead of asking about the work experience within the company that now is the joint venture, the question should have asked more directly about work experience with joint ventures and about the experiences in Finnish-Russian co-operation. It could be seen that the respondents understood the question in different ways due to the poor form of the question. However, it can be said that this didn't cause a big problem for evaluating the relevance of the answers as all respondents seemed to feel that they were capable of answering the presented questions.

Data collection

When collecting the data it was critical that the questionnaire was designed so that the questions were not leading or directed too much on evaluating the present situation. Additionally, it was essential to encourage the respondents to present their honest opinion, both when answering the questionnaire and during the interview for two reasons. First, the researcher herself works in YIT headquarters which could lead the respondents to suspect the confidential treatment of the data at all times. Secondly, the number of respondents was so small that by presenting the asked background information the respondents could have been recognized if that would have been the intention of the researcher.

To tackle the above challenges the motivation of the respondents was enhanced by emphasizing the importance of their individual opinions in the cover letter and by wording the questions so that they were targeted at revealing the respondents' personal thoughts. It was reminded in several stages that the answers were treated anonymously and in the interview situations the researcher was trying to mediate her genuine interest toward the questions and thus emphasize that the target was merely academic and not related to her work within YIT.

When evaluating the answers presented in the questionnaire it was felt that the respondents expressed their opinions not restricting themselves to the examples that were given in the questionnaire or the interview outline. This would imply that the questions weren't too leading.

Most of the questionnaire answers were in fact surprisingly open and frank and also in the interviews very direct feedback was given. However, there are some doubts in regard to whether the respondents could speak totally open when answering some of the questions. The answers to questions that handled more negative issues – to what YIT should not focus on, what mechanisms would not be good and what kind of cultural differences there are – the answers were generally speaking shorter than to other questions and also in the interviews there was some hesitation when these questions were addressed. It is naturally hard to present for example the cultural differences without giving the impression that the other way is better and the other way worse, and thus it may not feel appropriate to present the differences to a Finn that is conducting the interviews. On the other hand, the short-wordiness may also imply that there really isn't much to say in respect of these questions.

Language was understood as being a challenge in this study as some parts were conducted in Russian with help of interpreters. The problems associated with misunderstanding due to language difficulties were minimized in following ways: before sending out the questionnaire and cover letters native Russian speaker working in YIT went them through and ensured that the terminology was in-line with the terms used in YIT Corporation. Answers to the questionnaire were read together with a Russian teacher to get a deeper understanding of the meanings than what would have been possible by reading only the English translation. In case of the interview, the questions were translated into Russian by a YIT employee and they were sent to the interviewees as well as to the interpreter beforehand. The Finnish-Russian interpreter spoke excellent Finnish and thus it can be assumed that she was able to mediate the meanings properly.

Analysis

Reader should be able to follow how the researcher comes to the conclusions and evaluate the interpretations. The interpretation process should be divided into different phases and rules for classifications and interpretations should be explained in detail so that another researcher would be able to come to the same conclusions following these rules. The reader must be able to follow both the technical process of analyzing the data as well as the thought-process of the researcher. (Mäkelä 1990, 48–59.)

In this study the analysis was partly based on theoretical frame that was formed – the dimensions of parent control and the dimensions of national culture – and partly on the meanings and themes that rose from the data. It can be argued that as the dimensions of parent control and the dimensions of culture are so interrelated in their category, it is not self-evident that another researcher would divide the data in similar fashion that is done in this study. However, the analysis process was explained in detail and the original data or summaries of the original data were reported quite extensively. These measures will enable the reader to see how the study was conducted and evaluate the conclusions that are drawn.

During the analysis it was recognized that in relation to the cultural differences and similarities the data might be somewhat biased. Most Finns emphasized the great differences between the cultures whereas the Russians mostly discussed about the similarities. This may be due to the respondents not answering honestly or due to the situation they work in. The Finnish respondents are surrounded in their work by the Russian personnel, but themselves are only few among the Russians. Thus the Finns may feel themselves as being different and the Russians on the other hand are not faced with strongly dominating Finnish habits. Also, it was recognized that the different roles of the nationalities – and not only their different cultural backgrounds – may lead to differences in their practices. When a Finnish parent has a lot at stake it may use more extensive measures as it might if the strategic importance would be smaller. Also, when it is controlling the joint venture from distance it may need to rely more for example on formal measures than it would if being in closer geographic contact with the venture. These issues may limit how the results of this study can be generalized but despite this they are useful for YIT Corporation as they report the current situation that is experienced by the joint venture representatives.

10 RESULTS

The analyzed data consisted of written answers to the questionnaire, written form of the recorded interviews as well as notes from the discussions of Russian representatives. In this chapter the categories found in the data are presented by dividing it into different sections; the overall targets of parent's involvement and role of the joint venture manager; the extent, focus and mechanisms of parent control, and; the cultural differences and similarities expressed by the joint venture representatives.

10.1 General situation

Before presenting the results regarding the recommended managerial means and experiences on the cultural differences, it is important to understand the general situation; what is expected from the parent control and how do the joint venture managers see their role.

The following quotation demonstrates well the general situation:

"YIT is strong and trustworthy support for us. We are part of a big European corporation. Thus we actually expect and wish to get support in every area of business – we expect that there is support available. – – The co-operation as such is extremely important – that we operate together and are one team that shares success and failures. It can't be so that all of the success is common but only the general director is to be blamed for the failures." (Russian interviewee 3)

10.1.1 Targets

The respondents were asked to explain why they felt as they did in all questions regarding the three dimensions of parent control. By gathering this information the overall targets of YIT's involvement could be concluded. These targets of parental control are summarized in table 5 on page 64 in form of guidelines.

First of all the target of parent control should be to bring added value to the joint venture's operations and its practices towards the personnel. Added value is clearly demonstrated in the following quotation:

"Without involvement the company will be just like other Russian companies and the business idea will be lost. Why would a Russian buy Russian items for a higher price? There must be something special in order to get a higher price." (Finnish respondent 1)

Other important target for the parental involvement were taking care of the parents own aspirations by, for example, integrating the joint ventures' and parent's operations to reach scale advantages and by ensuring the parent's financial control.

Thirdly, it was recognized that the parent control should be practiced so that it brings the parent closer to the joint venture by, for example, giving the latter information regarding the former, and by showing that the joint venture is considered important.

Additionally, it was brought up that the parent should participate in a manner that the different stages of development are considered. The results showed that it was considered important to start the co-operation with strong involvement as the resistance against change would increase if the parent takes a "soft start". Further in development it is important to recognize what is needed from the joint venture's and from the parent's perspective – and notice when all the relevant issues are covered.

Parent should be involved in a way that it takes the specific features of the local business environment into account. Processes or practices should not be transferred to Russian business without first investigating whether the local practices are actually better. When implementing new issues, it should be checked that they fit with the Russian environment.

Lastly, the importance of acknowledging the role of the local partner was brought up in many ways. It should be remembered that the company in questions is not a subsidiary to its parent and thus all the actions should be in-line with the joint venture agreement. Local managers' expertise should be valued and the parent should demonstrate trust towards the local companion in its management practices.

Targets of parent control

- **Bring added value to the business**
 - Ensure enterprises' competitiveness and future development
 - Provide advice on urgent problems in the key business areas
 - Give the partner what has been agreed upon
 - Change the management style to get talented young people
- **Take care of own aspirations**
 - Ensure that all important issues from YIT's point of view will be taken care of
 - Integrate the operations and get scale advantages
 - Enable comparing all the joint ventures equally
 - Get a holistic picture of the financial follow-up
 - Ensure that people sent by the parent have strong enough position
- **Bring the parent closer**
 - Give impression that the company and its operations are cared about
 - Make possible to share experiences
 - Provide information regarding group activities and achievements
 - Assimilate to YIT culture
 - Ensure that message goes through to everyone who needs it
 - Provide support for people placed in joint ventures
- **React to different stages of development**
 - Set up processes and ways of operations right in the beginning
 - Aim to situation where foreign supervision and guidance is not needed
 - Identify what is sufficient for the parent and the joint venture
 - Adjust the involvement with stakes and risks
- **Remember the local features**
 - Don't transfer operational processes without adjustment
 - Check the local way before deciding that it needs to be changed
 - Accept certain difficulties
- **Acknowledge the role of the local partner**
 - Remember that the company is not a subsidiary but a joint venture
 - Act in-line with the terms of the joint venture agreement
 - Take advantage of the local managers' professionalism and expertise
 - Give the company freedom to react and change the plans
 - Limit the very detailed involvement
 - Always inform and discuss with the local partner before acting
 - Express trust towards the joint venture management
 - Adjust written instructions to be applicable in joint ventures
 - Be involved during the operations, do not only supervise afterwards
 - Make suggestions, don't give direct orders

Table 5: Empirical results: Targets of parent control

10.1.2 Role of the joint venture manager

Generally the joint venture managers said that their role had changed. It was considered essential that the joint venture would be considered as genuine partnership and the agreements that had been made during its formation would be honored as shown in the below quotation:

"Previously I had more freedom as I was on my own. Now I am one of the partners. If we talk about the operational tasks, I consider that I have enough freedom. Everything else is described in the partnership agreement." (Russian interviewee 4)

Changes in role

Starting co-operation with YIT had lead to a greater responsibility and some changes in the targets and tasks. The general directors recognized that they now had a greater responsibility as they had to be accountable also for YIT's investment and not just their own. They felt that they also had new targets to pursue in business and that many of the management systems were new. As a new type of role it was mentioned that the joint venture manager must mediate the YIT values to all employees and stand behind them.

As the responsibilities had grown it was recognized that freedom on the other hand had diminished somewhat. It was brought up that the role of a general director is smaller in joint venture than in a company that is wholly in Russian hands. Limitation of freedom had caused also some extra work for the joint venture managers as they had to explain their actions and decision to the Finnish partner. Despite the narrower freedom it was however experienced that it is acceptable that the strategic targets and goals are now commonly defined and overall the managers felt that they had sufficient amount of operational freedom.

Relationship with personnel had not been affected by the co-operation. The joint venture managers emphasized the importance of personnel knowing the manager and thus having their respect.

Importance of genuine partnership

Genuine partnership and respect for the knowledge of the general director and for the different features of the local environment was considered essential as shown below:

"You must always remember that the general director has the overall responsibility of the company and he suggests something it means that he has given this a lot of thought and he has good reasons for his proposal." (Russian interviewee 3)

Joint venture agreement was considered important as it clearly defined the roles of the parties. It was brought up in the questionnaire also that one way of attaining the genuine partnership is to ensure that both parties have big enough share in the company's ownership.

10.2 Managerial means

The practices of interaction between the parent and the joint venture that are preferred and requested by the joint venture representatives are reported below by dividing the information into the extent, focus and mechanisms of control.

As the purpose of this study is to provide practical information for the case company, the answers in respect to the focus and mechanisms of control are summarized in tables and written in form of guidelines.

10.2.1 Extent of control

The desired extent of YIT's involvement was much related to the overall targets of parent control. In general, it can be said that the target to support the joint ventures' operation through the parent's involvement and target of acknowledging the role of the joint venture manager where the two opposite forces – first one suggesting for more extensive involvement and the latter for lighter. This is seen, for example, in the following quotation:

"Patronizing irritates partners. They often remind us that they have made an agreement to establish a joint venture, but the major owner acts as the company would be a wholly-owned subsidiary! Bringing added-value (best practices etc.) and training events are ok as long as they are carried out having a common understanding with the local management." (Finnish respondent 9)

The joint venture general directors brought up the importance of following the articles of the agreements and contracts that were made when the joint venture had been established. They saw it both as a guarantee for the sufficient support and for operational freedom:

"First of all we have the partnership agreement and the documents on the establishment of the company. Everything that I am authorized to do is described in these. I exercise my full right within these boundaries. The rights were clearly defined and I agreed on them at that point. – – In principal everything that YIT is obligated to contribute to the venture is written in the documents and agreements. – – These documents include also how YIT is entitled to participate in our operations." (Russian interviewee 2)

Overall, increasing the extent of parent's participation was needed in some specific issues or to implement some issues more deeply.

The wish for lighter involvement was expressed mostly between the lines by saying that YIT already is quite active and that YIT's involvement is growing. Some of the interviewees felt that in some situations it would be appropriate to have possibility to make decisions in local level –

either by the general director or by the local management body. The managers felt that they should have more freedom in some issues that don't exceed certain value in money.

On the other hand, it was considered that new ways of doing things should be implemented in the start-up phase. It was also mentioned that involvement should be limited if the needed processes are covered in a way that the situation already services both parties. However, it was also seen that when the joint venture grows, more involvement might be plausible as the risks and stakes of the parent become bigger.

It can be stated that generally the desired extent of involvement varied according to nationality; most Finns favoring deeper involvement and most Russians lighter. However, the sample was small and there were exceptions to this general trend.

10.2.2 Focus of control

The focus of involvement was distributed among quite many issues. In fact, a couple of respondents said that all the issues mentioned as examples in the questionnaire should be given focus.

The construction project processes and technologies were perceived as the most essential area on which YIT's involvement should focus. Secondly, issues that closely support the core operations were brought up; these issues related to personnel and overall management practices as demonstrated in the following quotation:

"First of all there is a lot to learn from Finnish business culture. YIT has a lot of experience on how to organize and start-up construction projects and the company's operations so that we know how to make the right decisions. We can get new knowledge also regarding the work technologies, ways of working and organizing the processes of construction. Additionally, we can learn the right attitude towards financial issues." (Russian interviewee 1)

In addition to these core areas, financial matters, strategy and goals were seen as important both in respect of offering the joint venture support and to monitor YIT's investment. Overall supervision, identifying risks and guarding the brand were also mentioned.

The respondents named a very few issues that YIT should not focus on – many left it empty and in the interviews they said that they couldn't comment on this. Issues in which the parent shouldn't be involved were mentioned by using very general expressions. These issues related to local or operational matters. It was gathered that the local managers have better knowledge on these or that in these issues YIT Corporation's practices are not suitable. It may be that there isn't, for example, maintenance services available for some new technologies that YIT would otherwise implement in Russia.

Matters that related to human resource management were mentioned in both as something for the parent to focus on and as something to be handled locally. The difference was that management technologies and culture were seen as something to place emphasis on, but the compensation of top-level executives was considered specific to Russian environment and thus something to be left totally for the locals to handle.

Table 6 on page 69 presents the issues that should and should not be in focus of parental control.

Focus of parent control	
Focus on:	
<ul style="list-style-type: none"> ▪ Processes related to the business in question (construction) <ul style="list-style-type: none"> ▪ Develop the production practices in all stages of investment ▪ Aim for clear operational culture and organization ▪ Pay attention to planning, design solutions, technologies, quality, service, time schedules, cost development, forecasts ▪ Personnel and management <ul style="list-style-type: none"> ▪ Pursue unified culture in human resource management ▪ Improvement of worker qualifications ▪ Enhance work safety and social benefits for the employees ▪ Financial matters <ul style="list-style-type: none"> ▪ Provide adequate systems and support for accounting and reporting ▪ Pay attention to local bookkeeping ▪ Monitor financial development, how operations are financed and money is used ▪ Strategy and goals <ul style="list-style-type: none"> ▪ Set together the targets and budgets ▪ Provide strategic guidelines ▪ Risks <ul style="list-style-type: none"> ▪ Identify and analyze possible risks ▪ Pay attention to legal agreements, responsibilities and good governance ▪ Supervision and follow-up <ul style="list-style-type: none"> ▪ Supervise and check everything from time to time ▪ Follow-up is needed in order to be believable ▪ Brand and reputation <ul style="list-style-type: none"> ▪ Take care of unified actions in-line with brand 	
Don't focus on:	
<ul style="list-style-type: none"> ▪ Issues in which locals have better expertise <ul style="list-style-type: none"> ▪ Rely on local management in issues where it has strong position and know-how, like relationships with the authorities ▪ See which local ways are better than those employed by the parent ▪ Evaluate can you provide added value in local issues ▪ Issues that don't fit with the company and its environment <ul style="list-style-type: none"> ▪ Evaluate the needs of the joint venture ▪ See whether the plans fit with Russian market ▪ Take into consideration the stage of development of the company ▪ Don't aim to change the Russian mentality or culture ▪ Personnel compensation and motivation <ul style="list-style-type: none"> ▪ Give the local manager possibilities to recruit and select personnel ▪ Allow freedom in personnel motivation within approved budgets ▪ Leave personnel spare time activities to be handled locally ▪ Operative issues <ul style="list-style-type: none"> ▪ Don't mess with day-to-day activities ▪ Allow enough financial freedom to secure fast decision-making 	

Table 6: Empirical results: Focus of parent control

10.2.3 Mechanisms of control

Results regarding the recommended and not-recommended mechanisms are summarized in table 7 on page 71. In respect of control mechanisms the empirical data showed very clear results. Desired ways of interaction were: personal contacts and discussions, training events, visits and more long-term stays and meetings with a clear focus. All of the most desired mechanisms thus involved personal communications, as for example:

"In my opinion the most useful way to communicate and interact is to send our personnel to other YIT locations – for example St Petersburg – to be trained and guided to work. I don't mean 1–2 days visits but staying there for two or three weeks working at an actual site. Other efficient way is that we invite YIT's experts to visit our construction sites and they work there as trainers and guides." (Russian interviewee 2)

It was mentioned in the answers that the mechanisms should be such that sharing information and experiences as well as asking questions would be possible. Implementation of, for example, new procedures should be done properly and by contributing time to it in order to ensure that the message goes through and is motivating. Style of approach should be more about providing suggestions than about giving orders. It was considered that local presence in the joint venture also enables the Finnish parties to familiarize themselves with the Russian environment and then explain it to the directors that are in Finland.

It can be seen that the recommended mechanisms are in YIT's case integrative mechanisms – direct contact between executives of the parent and the joint venture, liaison personnel, temporary task forces – and, mechanisms that socialize the managers through the involvement in training sessions, meetings, and seminars with the parent (Kumar & Seth 1998, 580). It must be noted that most of the mentioned mechanisms were also positive in their nature – aimed to promote the desired action, not to prevent the undesired (Schaan 1983). Many of the mechanisms involved informal elements as the importance of common leisure-time and small talk was mentioned explicitly.

Mechanisms that were not considered good included: written policies, too focused means such as official events, too short trainings or contacts based on e-mail only. Written information was said to lead to possible misunderstandings or biased information since the papers don't necessarily reflect real life. Also, the message doesn't reach everyone through these means.

"In my opinion the least efficient way – an inefficient way – is to write letters or e-mails, concentrate only on correspondence. In best case you'll get a very formal answer to your question. I worst scenario, you won't get an answer at all." (Russian interviewee 2)

The data showed that the respondents considered time a very valuable resource, because of the early stage or strong development of the joint venture, and thus, for example, time-consuming traveling from the part of joint venture representatives, extensive reporting requirements and changes made without proper reasons should be avoided.

It was brought up that the "Finnish way" should not be used as rationale, but rather the "YIT way". In personal contacts language other than Russian was considered impractical.

Mechanisms of parent control	
Arrange and use:	
<ul style="list-style-type: none"> ▪ Continuous and wide interaction <ul style="list-style-type: none"> ▪ Personal contact, support and presence ▪ Discussions face-to-face with someone ▪ Spare-time activities and small-talk ▪ Training events, development seminars <ul style="list-style-type: none"> ▪ Continuous, planned and wide training with clear targets ▪ Informational, educational and consulting activities ▪ Visits and long-term stay <ul style="list-style-type: none"> ▪ Place group personnel in joint ventures for 4–6 months ▪ Visits by group management and experts ▪ Opportunities for the joint venture personnel to work temporarily in other parts of the group ▪ Meetings <ul style="list-style-type: none"> ▪ Plan meetings with clear goals and themes and intervals ▪ Arrange meetings at the board level and with middle-level management 	
Don't emphasize:	
<ul style="list-style-type: none"> ▪ Written policies and requirements <ul style="list-style-type: none"> ▪ Don't rely on official agreements and written instructions without personal teaching ▪ Don't use only regulating and directive actions ▪ Too focused means <ul style="list-style-type: none"> ▪ Realize that official events are arranged seldom and involve only a few people ▪ Be aware that directors don't give information to personnel ▪ Short courses or teaching from distance may not give the desired result ▪ Management by e-mail is too formal ▪ Time-consuming methods <ul style="list-style-type: none"> ▪ Don't demand traveling far away and for many days ▪ Plan the meetings etc. so that they don't take too much time ▪ Limit the requirements for regular monitoring ▪ Ordering without giving reasons <ul style="list-style-type: none"> ▪ Don't just tell that something involving every unit has been decided ▪ Don't emphasize the "Finnish way" but "YIT way" ▪ Non-Russian language <ul style="list-style-type: none"> ▪ Remember that information does not go through if not in own language 	

Table 7: Empirical results: Mechanisms of parent control

10.3 Cultural issues

The purpose of the empirical study was also to identify what kind of differences and similarities the Finnish and Russian joint venture representatives had experienced between the two nationalities. The aim was to gather practical situations that may be problematic due to different national cultures as well as to see which cultural attributes could serve to enhance the co-operation between the parties. In order to better understand these differences they were analyzed along Hofstede's dimensions when presenting the conclusions.

10.3.1 Differences

Differences could be divided into 7 categories: differences in responsibilities and roles, professions and organization, information flow, management style, planning and quickness, attitude towards regulations and official issues, emotionality and attitude towards work. These categories are shortly described in table 8 on page 74.

The main difference regarding how the responsibilities were divided and the organization arranged was that in Russia there are fewer people that have responsibilities than in Finnish organizations and thus people having the same title may have different roles in the two countries. This also affects the ways in which information is distributed among the different employees as demonstrated below:

"In Russian organization the power is strongly centered on top of the organization. For example, a project manager has a lot less power than in Finland. However, the willingness and capability of the project manager to take responsibility is smaller than his power. In Russia the results of a project are held as secrets which makes it difficult to set targets and do follow-up. So called key persons of the project don't necessarily know their targets." (Finnish questionnaire respondent 4)

Additionally, the different departments were perceived to function quite separately and exchanging information only through the top managers.

Management style was considered to differ substantially between Finland and Russia. However, the seminar discussions showed that the differences regarding the distribution of responsibilities and information may be changing. The joint venture general directors stated that it is important to share responsibilities and teach new people with potential how the company is managed in order to have successors. Also the co-operation with YIT was experienced to have increased the sharing of information.

Decision-making style was experienced to differ as the Russians are freer in their actions and the Finns, on the other hand, plan more carefully as demonstrated in the following quotations:

"Of course there are differences in that sense that we act more freely and sometimes even recklessly. For Finns the decisions are based on careful analysis and plans – not so that they just make a decision and see how it goes." (Russian interviewee 4)

"Russian personnel are ready to show greater flexibility while solving problems and sometimes apply unprovided procedures and methods, but the quality of the result may be put at risk. Finnish personnel resolves problems using only approved procedures, however, there is a risk of not reaching the result." (Russian questionnaire respondent 1)

The same kind of difference lays also in respect of making agreements – Finns relying on documents and Russians on spoken word. It was said that in Russia everything can be made to look good in paper.

"There is a principal difference in that Finns want to have everything in written form and the text has more significance than the spoken words. In Russia, people give more emphasis on what has been said. If I for example give a call and we agree that something is been done, it gets done. If I write five letters, nothing happens. A Finn may think that when something is written on paper it is agreed upon but that is not the case – you have to always make a call to check it." (Russian interviewee 2)

"Russians separate the official issues that are on paper and the unofficial issues that do not exist if they are not on paper – although everyone would be able to see it (for example the unofficial wages). When something is in paper, every detail must be followed (for example in bookkeeping). To Finns the issues on paper and those that are spoken are as important and official." (Finnish respondent 6)

Also the general attitude of Finns in work environment is more official and going straight to the point: Russians – on the other hand – were experienced to view many issues quite emotionally.

"Finns are very goal-oriented and sometimes go too straight to the point. – 'Dance, song and circus' are well managed by the Russians where as the Finns are like statues in these issues. Finns don't dare to show emotions. To Russians this is something very suspicious." (Finnish respondent 9)

Attitude towards work was occasionally mentioned as a differentiating factor but most answers viewed the cultures to be similar in this respect. It was also said that the Finns have adopted the Russian way of working longer days.

Cultural differences	
Responsibilities and roles	
<p>In Russia power and responsibilities are situated at the top of the organization. The farther away from the CEO, the less responsibility an employee is ready to take. Thus, delegating tasks and responsibilities are difficult.</p> <p>In Finland the managers use experts when making decisions and delegate responsibilities. Due to the management by results system – employed in YIT – every employee is a separate unit aiming to reach results.</p>	
Professions and organizations	
<p>In Russia organizations consist of different departments that are very professional and internally tight but don't interact with other departments that are close to their operations. The distribution of employees' rights and tasks is complicated to a Finn. People in similar positions have different amount of power in the two countries.</p>	
Information flow	
<p>In Russia the directors don't share and distribute information to all employees. Specifically information regarding future plans, targets and results are kept secret.</p> <p>In Finland managers share information and talk straight and in open manner.</p>	
Management style	
<p>In Russia management is about giving orders. Groups are managed in an authoritative manner keeping the subordinates in order.</p>	
Planning and quickness	
<p>Russians act quite freely and flexibly without many restrictions. They take responsibility in their own hands in unfamiliar situations and search for by-passes when it is impossible to resolve the problem directly. Russians are not very organized and don't plan far ahead. They handle conflict situations quickly.</p> <p>Finnish personnel resolve problems in systematic manner using only approved procedures. They analyze situations in-depth and check everything and take their time before proceeding.</p>	
Attitude towards regulations and official issues	
<p>Russians fulfill the official requirements very precisely in paper but may in practice behave differently. Papers are not as important as the agreements made face-to-face or over the phone.</p> <p>Finnish personnel are straightforward in business and make no compromises in respect of, for example, law obedience. They keep their promises whether made orally or in paper, but value the written form higher than the oral in doing business.</p>	
Emotionality	
<p>Russians approach many issues emotionally and act freely and naturally in informal occasions. Finns separate emotions and work tasks. They don't show emotions and go very straight to the point.</p>	
Attitude towards work	
<p>As a general rule, Russians are ready to spend more time on, and put in more effort to their work.</p>	

Table 8: Empirical results: Cultural differences

10.3.2 Similarities

Generally it can be stated that the Finnish respondents identified several differences between the two nationalities and in many cases found it hard to identify similarities between the cultures. On the other hand, Russians considered the Finnish and Russian work modes to be quite similar, which in their mind, contributes to the co-operation as demonstrated, for example, in the following comment:

"YIT being Finnish had a strong significance because the co-operation with for example Japanese or Germans would be more difficult. Our cultures are in many ways similar. I am not talking about only about good features – also the bad features are similar. We understand each other very well." (Russian interviewee 3)

Most often the specified issues that were considered to be common to both nationalities related to the attitude towards work and business. The Finnish companies' good reputation in the construction industry was said to have affected the partner-selection. Also some basic values were seen to be similar. The similarities are shortly summarized in table 9.

Cultural similarities
<i>Attitude towards work and business</i>
Both nationalities respect expertise and working hard. They understand the group's goals and objectives and are willing to work to achieve the results. Attitude towards the business is similar.
<i>Certain values and habits</i>
Both nationalities value family and like to spend their spare-time in nature. They share the same sense of humor and melancholia. Alcohol is used in similar fashion. Some beliefs and expressions and aphorisms are common.

Table 9: Empirical results: Cultural similarities

PART III – SUMMING UP

11 CONCLUSIONS

The aim of this study is to answer the question of how a Finnish parent should manage a joint venture in Russia by addressing what kind of managerial means should be used as well as how cultural aspects should be taken into account in the management.

In the theoretical framework, it was identified that parents can choose managerial means in respect of the extent, focus and mechanisms of its control. In respect of culture, Geert Hofstede's dimensions of national culture were chosen to analyze the cultural differences. Based on prior research it was concluded that the most significant differences between Finns and Russians are located in the dimensions of power distance, uncertainty avoidance and individualism.

Empirical study was conducted in YIT Corporation's joint ventures gathering the experiences and opinions of people that work in the joint ventures. The results of the empirical part of the study were presented in chapter 10 and next these results are further analyzed in order to provide answers to the research questions. As the main research question is answered through the two sub questions, the answers to them are presented first.

11.1 What kind of managerial means should be used?

The guidelines given in respect of the first sub-question are divided in accordance with the three dimensions of parental control: extent, focus and mechanisms.

- **Keep the extent in agreed limits**

The extent of control seemed to be a very controversial issue. Without one exception all of the Finnish respondents saw that YIT should increase its involvement, thus implying that in general the extent of control should be considerable in Finnish-Russian joint ventures. However, most Russian respondents saw that the involvement of YIT is sufficient – possibly with exception of some specific areas where they would appreciate the group's assistance. Overall, there are targets that suggest for greater involvement – bringing added value to joint venture's business and taking care of the parent's aspirations – and targets that suggest for lighter involvement, such as taking the local environment and the role of the local manager into account.

Joint venture managers commented that they sometimes need to actively limit the involvement of YIT but – fortunately – they have clear definitions of the roles of each party available in their joint venture agreements. Thus it can be concluded that the extent of control exercised by the parent should be defined so that both parties understand it in a similar way, and after that the agreement should be honored in order to enhance the good co-operation between the joint venture and the parent.

- **Focus on core operations**

Although there were many issues that were mentioned worth parent' focus, it can be noted that focus of control was desired to be directed to the core operations of the joint venture – in YIT's case the quality and processes of construction. The list of focus areas clearly emphasized quite concrete issues such as starting up the joint venture's operations and developing the "product" and the ways of organizing its production. When thinking about the parent's needs attention should also be directed to core issues – for example the financial development.

Generally speaking it is essential to identify the needs of both the parent and the joint venture. The practices used by the joint venture can be better than those of the parent, and some of the parent's policies may not be applicable in the joint venture's environment. Thus, issues that are not strategically important to parent, but are more local and operational in their nature, should not be given focus by the parent.

- **Employ mechanisms that involve personal contact**

The best mechanisms suggested by the respondents had to do with practical training and being present to provide adequate support. It was found out that the focus of control should be directed to core operations and the mechanisms should be such that they don't require a lot of time from the joint venture representatives. However, the results clearly demonstrated that it is recommended to employ mechanisms that allow building up personal relations and understanding the joint venture in-depth. Persons placed into the joint ventures serve various targets: they bring added value to the business and increase parent's understanding of local features as well as guard the parent's interests and familiarize the parent's culture to the joint venture.

In worst case the mechanisms are too focused or aim at extensive efficiency – this will not pay out. For instance, written orders in foreign language sent out from a distance are not the appropriate way.

11.2 How should cultural aspects be considered in management?

Thinking about the relationship between the parent and the joint venture the cultural differences identified in the empirical data can be narrowed down to four important issues. There are differences related to organization of work, decision-making style, how promises are understood and how personal characteristics are valued in business environment. All of these can be understood in the light of Hofstede's dimensions that differ between the Finns and the Russians the most: power distance, uncertainty avoidance and individualism.

To answer the second sub-question of this study: "How should cultural aspects be considered in management?" it can be said that the Finnish parent should generate managerial practices that overcome the above mentioned differences through the following recommendations presented below.

- **Operate through the ones that are responsible and informed**

The high power distance of Russian culture was concretized in the empirical results of this study in the experiences that the responsibilities in Russian and Finnish organizations are divided differently. The Finnish parent should notice that although in Finnish organizations many employees are experts and make independent decisions, the situation is different in Russian organizations. The responsibilities and power is in the hands of the top managers and the decisions should always be discussed with them and not necessarily with the Russian expert who may have a similar job title as the Finnish colleague.

High uncertainty avoidance of the Russian culture leads to situations where the business departments concentrate on executing the daily tasks in the best manner and do not think "strategically" over long-term or co-operate across internal organizational boundaries. It is important for the Finnish parent to be aware of this and adjust, for example, development projects so that they can be executed in Russian organizations in an appropriate and efficient manner.

The fact that managers give direct feedback to their subordinates and people share information openly reflects the high individuality of Finnish society. As the Russian culture values collectivism, direct confrontation with the employees is not appreciated and thus information regarding targets and results is not discussed. Again, Finnish parent should consider this factor when in interaction with the Russian joint venture. Although in Finland information is widely shared and the employees are then expected to start working towards the desired direction in a self-organizing manner, the Russian organization may not operate in this way.

- **Balance between analysis and gut feeling**

Finns are claimed to solve problems in a very organized manner and to analyze everything in detail before acting. Russians on the other hand act faster without following specific procedures.

This difference, brought up in the empirical part of this study, can be seen as reflecting the higher uncertainty avoidance of the Russian culture.

It can be argued that the Russian market demands fast action as it is developing rapidly at the moment (Mäkinen 2005, 70). However, there are many factors that slow down the joint venture's decision-making. First, as decision-making is split between the parent and the joint venture itself, it is inevitably slower than in a wholly owned subsidiary. Second, the Finnish style of making decisions may be slower than what has been accustomed to in Russian culture. Third, the fast developing Russian market involves risks and as the Finnish parent follows the market situation from a distance, it needs tangible information on which to base its decisions. The customarily fast decision-making process thus creates a potential problem that needs to be solved.

It can be argued that a balance between deep analysis and the intuitive knowledge or "gut feeling" of the Russian managers should be found in order to get advantage of the opportunities provided by the market and to satisfy the demands of both parties. The Russian general directors emphasized that the parent should trust more to their experience and knowledge of Russian market environment and thus allow them more freedom in decisions that don't exceed a certain value of money as their direct consequence. This would lead to faster decision-making in such cases. In strategic decision-making the parent should find solutions to enable quick understanding and analysis of the situation.

- **Establish common understanding on promises**

In high uncertainty avoidance cultures, such as Russia, there are many rules but they are not necessarily strictly followed. When moving towards cultures with lower uncertainty avoidance the rules are obeyed as in Finland. The empirical results showed that Finns were experienced to follow the law in detail and to have very uncompromising attitude in business.

Finns value written guidelines, whereas the Russians may question them more often. Written documents are equal to everyone and thus valuing them is a sign of individualist culture. Russians on the other hand value face-to-face contacts and promises made between people that are acquaintances more than impersonal written agreements. In collectivist society business is done between people, and not companies, and friends are treated better than strangers.

How contracts and promises are understood has an important effect on joint venture's management – especially when the parent wields its power over the venture. It is of crucial importance that both parties feel that their role is clear and that the partnership offers what they have expected. Naturally also the targets set for the operations must be understood in similar fashion. For a Finnish parent managing a joint venture in Russia is important to recognize that the documents and rules are not understood in identical manner on both sides of the border.

- **Show emotions and personality**

As Finland values individualism higher than Russia, for Finns it is normal to separate business and personal life and to concentrate solely on tasks, and not on people. On the other hand, in work organizations of a collectivist society personal relations are valued higher than tasks. Emotions and personality are expressed also in business relations and personal relations have importance in conducting business. This leads to the conclusion that when operating in Russia the Finns should also open up and throw themselves to the situation.

The results showed that Finns and Russians have similar values regarding family and how they spend leisure-time. Likewise, hard-working people are appreciated in both societies. These issues could be used as an asset when building up personal relations with Russians. Also it was noted that Russians generally feel Finns to be quite similar to them which provides a good starting point for the Finns to start building up personal relationships.

11.3 How should a Finnish parent manage joint ventures in Russia?

To answer the main research question of this study the recommendations regarding management and the cultural considerations as such must be combined. The strategic targets set for the joint venture as well for its management, and the role of the joint venture manager should be taken into account.

From YIT Corporation's point of view, the joint ventures are established in Russia in order to provide the group access to Russian market. The target is to grow the Russian business – that includes also operations carried out by subsidiaries – by an average of 50% annually during the next few years. Thus the joint ventures are established to serve YIT's long-term strategy in a strongly growing market and business. Target is to grow the joint venture's operations in a business that is horizontal to its parent.

To achieve these targets the main research question of this study:

How should a Finnish parent manage joint ventures in Russia?

can be answered in following way:

- ***Provide support and be a companion***

In general, the Finnish parent should manage the joint ventures so that it provides support to their business and acts like a genuine companion toward the other partner. The joint venture representatives saw that the main targets of the parent control is to provide added value to the joint ventures' operations. Additionally, the control is needed to take care of the group's own aspirations as well as to bring it closer to the joint venture representatives.

It is important for the parent to understand that the role of the joint venture manager has changed after he has become leader in a company that is partly owned by a larger group. As the joint venture managers are also owners, in YIT's case, they expect to have a genuine partnership with YIT – and not get faced with many directive orders or patronizing attitude.

The specific nature of the joint venture and its local environment was commented a lot in the empirical data. It was said that YIT practices should not be transferred to Russian market without adjusting them to local demands.

It has been concluded that in joint ventures established together with a small and large party, the idea is that the small one provides entrepreneurial enthusiasm and the large for example capital and channels for marketing (Roberts 1980, 136–137). In YIT's case there parent is expected to contribute to the business operations as well. On the other hand, the findings supported the general assumption that the entrepreneurship of the smaller party should be appreciated and used as an asset.

- ***Keep extent in agreed limits – remember who and how***

It was concluded in this study that the parent should keep the extent of its control within agreed limits. When setting the boundaries for the overall extent of parent control the cultural considerations on the central persons in the Russian organizations and what is the decision-making style are important to remember.

Culturally considerate parent operates through the ones that are responsible and informed within the Russian organization. This means that keeping the extent of control in agreed limits also means that the parent doesn't start to operate with different actors of the Russian organization. It is considerate also to remember that the decision-making style in Russia is not as analytical as in Finland and doesn't follow exact procedures. Thus to keep the extent in agreed limits the parent shouldn't start demanding for example excessive reports from the joint venture – especially if that has not been agreed upon.

This recommendation is in-line with the general theoretical consideration. As mentioned, excess controlling may generate a level of transaction costs that offset the strategy's potential benefits. Additionally, it may hinder the venture's ability to respond to local market demands. (Geringer & Hebert 1989, 249.) In light of the prior research, it was concluded that the extent of parent control should be limited in order to enable the empowerment of the local partner. This is supported also in the findings of this study.

- ***Focus on core – establish an understanding what is core and act quickly***

It was stated that the focus should be on core issues – both considering provision of support for the joint venture as well as taking care of parent's own aspirations.

In order to be able to support the operations sufficiently it is important to take into account some of the cultural considerations. First of all, when the Finnish parent is taking part in some operations of the joint venture, it is essential – from a culturally considerate point of view – to generate practices that balance the Finnish style of making analytical decisions and Russian managers' personal knowledge and gut feeling. Secondly, especially in relation to the core operations it is important that the promises are understood in similar way. There is a practical difference between Finnish and Russian culture on how the written and spoken word is understood. The written documents and rules are followed more loosely in Russia and thus in the core operations it should be noted that personal contact is more efficient way of practice.

Based on prior research findings it was concluded that the focus should be on establishing the common goals and targets so that both parties would have a similar idea of the basic business concepts. In this study, this wasn't considered problematic. As mentioned, some of the studies that claimed Russians to have a different kind of understanding of business were quite old and in the light of this study, attitude toward work and business was seen more as a similarity between the nations than as a difference. However, as this study brought up that the focus should be on core operations it is naturally important to have a common understanding of what the core operations needed for success are.

- ***Employ mechanisms that involve personal contact – with the right people***

The results showed that mechanisms involving personal contact are recommended in Finnish-Russian joint ventures. Also from cultural point of view the same issue was concluded. Russian culture values personal relations and does not separate business and emotions as is done in Finland. Thus it is culturally considerate to employ mechanisms that involve personal contact – also at a personal level. Secondly, taking into consideration that in Russian organization the power and responsibilities are very centralized, the good relations should be built especially with these persons – especially with the general directors.

It was mentioned that it is good that certain Finnish YIT representatives are much in contact with the joint ventures. Finnish directors working in Russia should be able to familiarize them with the local environment and then be able to explain the local setting to the YIT headquarters. At the same time they can build up the personal relations and trust.

The recommendation to employ mechanisms with personal contact and build good relationship are in line with the findings of prior research. As Fey (1996, 358) stated trust between the parties seems to make the biggest difference between poor and good performance.

To conclude, the results in respect of both managerial means as well as cultural considerations can be summarized in table 10 on page 83, thus providing a check list for viewing how a Finnish parent should manage joint ventures in Russia.

How should a Finnish parent manage joint ventures in Russia?				
Provide support and be a companion	Cultural considerations <ul style="list-style-type: none"> • Higher power distance • Higher uncertainty avoidance • Lower individualism 			
	Power is centered, departments are separate, information flow is tight	Decisions are made fast without specific plans	Rules are not strictly followed, spoken word is important	Personal relations have significance in business
	Operate through the ones that are responsible and informed	Balance between analysis and gut feeling	Establish common understanding on promises	Show emotions and personality
Managerial means				
Keep the extent in agreed limits	<i>Don't start operating through those that are not involved</i>	<i>Don't demand procedures that are not agreed upon</i>		
Focus on core operations		<i>Generate measures to act fast in core decisions</i>	<i>Make clear agreements on core issues</i>	
Employ mechanisms that involve personal contact	<i>Keep personally contact with right persons</i>			<i>Create good personal relations</i>

Table 10: Summary of the conclusions on managing Finnish-Russian joint ventures

12 CONTRIBUTION

The main aim of this study was to provide practical information for YIT Corporation. Additionally the results of this study were expected to be beneficial for other Finnish companies using joint ventures as a way of external corporate venturing, and to Russian entrepreneurs planning to become part of a joint venture.

For YIT Corporation this study offers information that can be of use in several ways. First, the management of YIT can evaluate how well the present practices compare with the joint venture representatives' desires that have been brought up in this study. It is possible for YIT to compare the findings with for example the partnership agreements that have been made. Additionally, YIT may evaluate whether there are targets for the joint ventures' management that weren't brought up in the findings of this study.

Presently it is important to consider which of the managerial means that emerged from the empirical data are such that serve the best interest of the parent. For example, it was concluded that selected Finnish representatives should take the role of having close connections with the Russian managers and deep understanding of the business setting. However, it may not be preferable that the co-operation would be dependent on a few individuals only. Thus, it is important for YIT and for the joint ventures to find solutions that would first of all enhance the deep understanding of local business and create close connections with the joint venture managers but also secure that this understanding is spread also to employees that are indirectly involved with the joint ventures operations.

Later on, it is important to discuss how to adjust the parent control or involvement during the different stages of the company's development. As the joint venture develops the stakes of YIT become higher. This would suggest that the involvement or control should be increased. However, from the joint venture's point of view the case might be the opposite; as the company has already established its operations, it may be that the joint venture no longer feels that YIT can offer them as much as it did in the initial stages of the collaboration.

The practical information regarding the best managerial practices can be utilized by the business management that is responsible for the execution of YIT's strategy in respect of the Russian joint ventures. Additionally, it is useful for the different support functions of YIT – for example for the Communications or Human Resources departments – to evaluate how they could take into account the information provided by this study: are these departments aware of the content of the joint venture agreements so that they know how much of the joint ventures' operations are to be integrated with YIT's practices? Do they act in accordance with the best practices – through the right persons and with right kind of measures?

Other Finnish companies

For other Finnish companies operating in Russia or planning to establish a presence there through joint ventures the results of this study provide a good check list or act as an orientation. The results give hint on which issues should be considered in the partner-selection stage and consequently when agreements with the local partners are drawn up.

There are quite many mandatory demands which the Finnish parent has to meet. Sufficient knowledge of the Russian environment, culture and language is definitely needed in order to be successful in the country. Also it is important that the parent can really contribute something to the joint venture's operations. Financial input may not be enough if the aim is to have a genuine partnership and common long-term targets. As in YIT's case the Finnish parent should be able to contribute something to the business operations as well.

Strength of the Finnish companies may be the experienced cultural similarity. Construction companies have the possibility to utilize also the good reputation of Finnish companies – that was mentioned in the interviews. In the case of small and medium-sized enterprises one can claim that they have many advantages because they are more rapid and flexible in their practices (Lawrence et al. 1993, 48).

It has been concluded external corporate venturing requires long-term persistence – the company must be prepared to commit itself to the venture for example for seven years. Another important success factor is that the new ventures depend on entrepreneurial behavior. (Roberts 1980, 141–142.) Honoring the smaller entrepreneur's role came up also in this study and should thus be remembered by Finnish companies pursuing external corporate venturing strategies.

Russian entrepreneurs

For Russian entrepreneurs this study provides information on what changes when you become a part of a group. The joint venture managers clearly felt that they now have a greater responsibility but somewhat more limited freedom compared to a situation when they were working as independent entrepreneurs. However, the co-operation may provide access to a whole new level of business. As this study brought up, the targets set for a joint venture may be different from when compared with a purely Russian company. It is important for a Russian entrepreneur to choose a partner that really has something to offer, to pay attention to the establishment phase and to the agreements made in that stage, and to be prepared for different kind of working practices and systems. It demands flexibility but also courage to state one's opinion and defend the agreed rights.

Thinking about the cultural differences it is advisable to familiarize oneself with the partner's culture and attitude towards Russian culture and environment. As the joint venture manager's said it may be easier for Russians to work together with Finns than with some other nationalities.

Academic findings

Compared to prior research the findings of this study provided assurance in respect of some issues and differed in respect of others. In prior research, it has been recognized that establishing a common understanding on goals, empowering the locals and building good relationships are keys to joint venture success. The findings of this study support these points. Goals and empowerment are something to handle already during the establishment of the venture as the venture managers often brought up the initial agreements and documents when discussing these issues. Good relationship was in focus in this study and the findings thus provide deeper information on what it takes to have a good relationship and not bump into cultural differences. On contrary to research that suggests that the Russian management style would be changing in terms of how the responsibilities are divided, this study demonstrated that the roles of managers and other employees in Russian organizations are still quite clear – at least in the studied construction companies. However, the Russian managers brought up that sharing information regarding targets is important.

This study recognized the importance of the joint venture general director as well as the other managers of the joint venture by collecting the views of these people. However, the aim was to provide guidance for parent of a joint venture. Thinking about further research, the joint venture's perspective could be brought into more significant role. In research on international joint ventures the parents' viewpoint has dominated, but it would be valuable to see joint venture as focal actor and look also at the other outward relationships and not just the relationship between the parent and the joint venture (Mainela 2002, 28–29). Corporate venturing strategy provides many advantages also for the smaller company and thus it would be interesting to study the contribution of the parent from this perspective (Maula 2001).

From the viewpoint of culture it would be interesting to study the internal processes and changes within a joint venture after it has been established and find out what kind of skills are needed from the joint venture manager to lead the company. The topic of this study could be turned around by seeing what managerial practices should be employed by culturally considerate joint venture manager.

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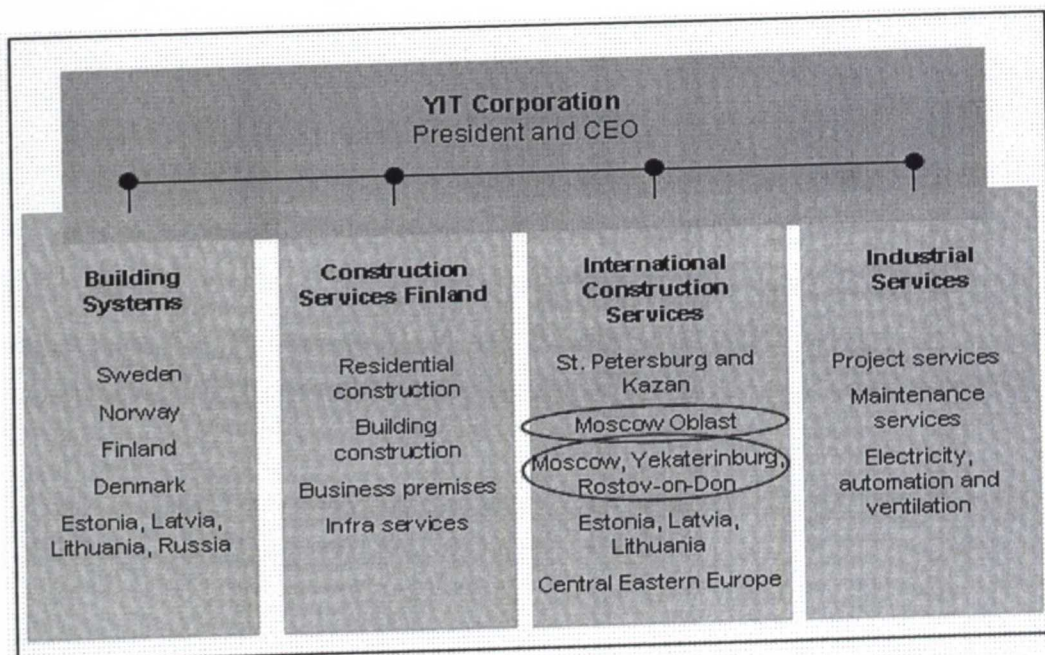
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APPENDICES

Appendix 1 YIT Corporation's organization

Joint ventures are in YIT's organization underneath the units that are circled in the chart below.



Appendix 2 Questionnaire

English translation of Russian and Finnish questionnaires

Questionnaire for YIT Joint Venture representatives

Instructions

This questionnaire focuses on the interaction between the representatives of YIT's Joint Ventures and YIT Corporation.

The purpose is to get information of all aspects regarding that are found important by the respondents;

How do you feel YIT Corporation should be involved in Joint Venture's operations?

The questionnaire includes a total of 7 questions that cover 4 themes:

- Extent of involvement
- Focus of involvement
- Ways of interaction
- Cultural differences and similarities

Additionally, you have the opportunity to write any feedback you wish.

The questionnaire is designed to gather information on personal experiences. It is very important that everyone answers each question by giving his/her own opinion on the issue. It is encouraged to write freely as much as possible.

Continue

Extent of involvement

Please, take a moment to think about how much you or your colleagues have to think about YIT Corporation in your job.

For example: is there situations where you have to follow YIT policy or there is a YIT guideline that should be taken into account on some level or is there a lot of things where you don't have to think about YIT at all.

After that, please, give your opinion on the following questions as detailed as possible.

1. *In your opinion, do you think YIT should in general be more or less involved in Joint Venture's operations? Why?*

Continue

Focus of involvement

Please, take a moment to think about on what issues YIT focuses its involvement.

For example, the focus may be targeted on: strategy and targets, budgets, financial development, investments, personnel issues, brand, quality or development projects. There may be also other issues that YIT Corporation focuses on.

After that, please, give your opinion on the following questions as detailed as possible.

2. In your opinion, what issues do you feel that YIT should be involved in? Why?

You can include in your answer things that are currently as you would like them to be as well as things that would need to be changed.

3. In your opinion, what issues do you feel that YIT should not be involved in? Why?

You can include in your answer things that are currently as you would like them to be as well as things that would need to be changed.

Continue

Ways of interaction

Please, take a moment to think about the ways YIT interacts and is in contact with the Joint Venture representatives.

There might be for example: meetings, training and events on YIT culture, continuous contacts with people from YIT or formal agreements and written policies. There may be also other ways of interaction.

After that, please, give your opinion on the following questions as detailed as possible.

4. What ways of interaction do you think are good? Why?

You can include in your answer things that are currently as you would like them to be as well as things that would need to be changed.

5. What ways of interaction do you think are not good? Why?

You can include in your answer things that are currently as you would like them to be as well as things that would need to be changed.

Continue

Differences and similarities

Please take a moment to think about your experiences of interaction between Finnish and Russian personnel. What kind of differences and similarities have you noticed between the Finns and Russians?

For example: Is there differences or similarities in the ways you do things, who is responsible for different issues, how you set the goals or how you do follow-up work. The differences and similarities can be related to other issues as well.

After that, please, give your opinion on the following questions as detailed as possible.

6. What kind of differences do you think there are between the Russian and Finnish personnel?

7. In what issues do you think the Russian and Finnish personnel have a lot in common?

Continue

Other feedback

8. *Would you like to add anything else?*

Background information

Please fill in the following background information. The background information is used to describe the researched group. This information will not be connected to the answers.

Company:

Years of working in this company (also before becoming a part of YIT Group):

Age:

Sex:

Send the form.

Thank you for your contribution!
The form is successfully sent.

Appendix 3 Interview outline

Purpose of the interviews in to get information on how YIT should participate in the joint ventures' operations. Essential is to hear how you as the general director see YIT and your own role as the head of the company.

YIT Corporation's effect

1. Have your tasks and role changed since the company has started the co-operation with YIT?
2. Do you feel that you have enough freedom as the leader of the company?
3. Has the co-operation with YIT affected your position toward the personnel of your company?
4. In your opinion, should YIT participate more or less to the joint venture's operations as it currently does?

Areas of operations

(for example strategy, brand, investments etc.)

5. What kind of targets do you have for the co-operation with YIT; what do you wish to get from YIT?
6. What issues should YIT participate in; what do you consider to be useful to you?
7. What issues do you think YIT should not participate; what kind of involvement affects your work negatively?

Ways of operations

(for example meetings, training events, written policies, persons)

8. In what ways should YIT representatives act when being in contact with the joint venture; what kinds of ways to be in contact and operate are good in your opinion?
9. In what ways should YIT representatives not act when being in contact with the joint venture; what kinds of ways to be in contact and operate are bad in your opinion?
10. Have you faced situations where you think that YIT's ways to operate is different than that of the company that you lead?

Culture

11. What kind of significance has the fact that YIT's background is Finnish had to you?
12. What kind of differences there is between Finnish and Russian culture in you opinion?
13. In what issues do you think that Finns and Russians have a lot in common?

Other

14. How do you think the company has changed during its co-operation with YIT?
15. Would you like to add anything?

Appendix 4 Details of the questionnaire respondents

